CANADA

HOUSE OF COMMONS DEBATES

OFFICIAL REPORT

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HOUSE OF COMMONS

Thursday, June 22, 1961

The house met at 11 a.m.

RAILWAYS, CANALS AND TELEGRAPH LINES

Ninth report of standing committee on railways, canals and telegraph lines—Mr. Howe.

EXTERNAL AFFAIRS

PORTUGAL—REQUEST FOR GOVERNMENT POLICY ON SUPPLYING MUNITIONS

On the orders of the day:

Hon. Paul Martin (Essex East): May I ask the Prime Minister what is the policy of the government of Canada regarding the supplying of munitions to Portugal, one of our NATO allies, particularly having in mind its colonial policy? I ask this question in the light of the statement made by Mr. Lange, the foreign minister for Norway, a country which works closely with Canada in most matters.

Right Hon. J. G. Diefenbaker (Prime Minister): I would not think it proper to make a statement on a matter as important as this in answer to a question on the orders of the day. No notice of the question was given, and I would naturally wish to have a statement carefully prepared covering the situation.

LABOUR CONDITIONS

WINDSOR-DETROIT—REPORTED U.S. ACTION TO PREVENT WORKERS COMMUTING

On the orders of the day:

Mr. R. D. Thrasher (Essex South): Mr. Speaker, may I ask the Prime Minister whether he has received any information in respect to a report that the United States may prevent commuters in the city of Windsor from travelling to Detroit for the purpose of working there.

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, it was reported yesterday in the press that consideration was being given in Washington to closing the Detroit-Windsor border to Canadians who commute daily to work in the United States. It is presumed that this report has reference to surveys which are made by the United States secretary of labour in accordance with the terms of the United States immigration and nationality act. In that act provision is made for the exclusion from admission to the United States of aliens seeking entry for the purpose of performing skilled or unskilled labour at times and places with respect to which the secretary of labour determines and certifies that there are sufficient workers in the United States able, willing and qualified to perform such labour.

I understand that in recent months action has been taken under this section of the United States statute with reference to the admission of Mexican workers to certain areas along the southern border of the United States. Assurances have, however, been received from the United States authorities that no consideration is being given at this time to any action to restrict the admission of Canadian workers along the United States-Canadian border.

AIRPORTS

VANCOUVER—CONSTRUCTION OF NEW TERMINAL BUILDINGS

On the orders of the day:

Mr. John Drysdale (Burnaby-Richmond): Mr. Speaker, may I ask a question of the Minister of Transport. In view of the overwhelming approval yesterday by the ratepayers of the city of Vancouver of the sale of the city owned portion of the Vancouver international airport to the federal government, can the Minister of Transport assure the house that action will be taken immediately for the plans for construction so urgently required in respect to the $15 million jet terminal buildings?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, I must admit that I expected this question from the hon. member, knowing his tremendous interest in the matter of aviation generally in British Columbia. I am very pleased to be able to tell him that instructions are being issued at once to proceed with the planning of that new terminal.

CANADIAN NATIONAL RAILWAYS

INQUIRY AS TO APPOINTMENTS TO BOARD OF DIRECTORS

On the orders of the day:

Hon. Lionel Chevrier (Laurier): Mr. Speaker, may I direct a question to the Minister of Transport, and ask him whether the

government has yet reached the stage of appointing the new directors of the Canadian National Railways.

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, when these appointments are made they will be announced in the proper fashion.

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, I should like to ask a supplementary question. Does the minister not think in view of the—

Mr. Grafftey: Order. This is a statement.

Mr. Pickersgill: Does the minister not think that in view of the assurances previously given it would be a courtesy to the house to make these appointments before the committee ceases to sit?

Some hon. Members: Order.

Mr. Pickersgill: Is the minister not going to answer that question?

Mr. Grafftey: That was a statement; why should he?

THE BUDGET

INQUIRY AS TO BASIS OF REVENUE ESTIMATES

On the orders of the day:

Hon. Paul Hellyer (Trinity): Mr. Speaker, I should like to direct a question to the Minister of Finance. Would the minister say whether we are correct in assuming that in his budget speech of Tuesday evening he estimated revenues for the fiscal year 1961-62 on the basis of a 3 per cent rise in the gross national product?

Hon. Donald M. Fleming (Minister of Finance): No, Mr. Speaker. If the hon. member will examine carefully the statement I made he will find that I indicated that apart from the budget measures themselves we might expect, according to present indications, a 3 per cent rise this year in the gross national product. My estimate as to the anticipated revenues, expenditures and deficit is, of course, based upon the view that was taken as to the effect this year on revenues of the helpful measures to stimulate the economy which are proposed in the budget itself.

Mr. Hellyer: Mr. Speaker, I should like to ask a supplementary question. Would the minister indicate what percentage he did estimate—

Mr. Speaker: Order. I think the hon. member's questions would be more appropriately raised during the debate which is to follow. They relate to the subject matter of the debate and do not seem to me to qualify as having that special urgency required in order to be asked at this particular period.

[Mr. Chevrier.]

Mr. Hellyer: Mr. Speaker, on a question of privilege, the budget debate is a formal debate, so how is it possible for us to discuss the budget intelligently unless we know the rate of growth which the minister anticipates will result from the proposals he has indicated in his budget? I think, sir, it is imperative that the minister give us this information now, before we proceed with the debate.

Mr. Fleming (Eglinton): Mr. Speaker, if the hon. member in this bland admission of his this morning, speaking for himself and I do not know how many others, indicates that he cannot discuss the budget intelligently, I hope I will not be held responsible for that.

Mr. Hellyer: Is the minister not going to give the house a reply to this question, which we deserve? It has always been customary to state the anticipated percentage of growth. Surely we are entitled to this information before we discuss the budget.

Mr. Speaker: If the words, which I could not hear, suited the actions I am sure they were more appropriate for the debate.

Hon. J. W. Pickersgill (Bonavista-Twillingate): I wonder whether I may put a question to the Minister of Finance. In view of the character of the present government does the minister really believe that additional protection is needed for gutless chicken?

Mr. Speaker: Order. I do not think I should permit the supplementary from the hon. member for Bonavista-Twillingate when I have refused supplementaries to the Minister of Finance on the subject of his budget address.

Hon. Paul Martin (Essex East): Mr. Speaker, may I suggest that this question was altogether different from the preceding one. The hon. member for Bonavista-Twillingate was asking a question regarding a specific proposal in the budget that had to do with "versivated" chicken. In case hon. gentlemen do not know the meaning of the word, it is a synonym for eviscerated. I would suggest to Your Honour that the question put forward by the hon. member for Bonavista-Twillingate is different, and the Minister of Finance should have no difficulty now that this long pause has taken place in giving an adequate reply.

Mr. Speaker: If the hon. member considers the matter one of urgency of course I would not set my judgment up against his.

Mr. Fleming (Eglinton): Mr. Speaker, I did not hear your last comment.

Mr. Speaker: I said I did not want to set my judgment up against that of the hon. member for Essex East so as to prevent the minister from replying.

Mr. Fleming (Eglinton): Mr. Speaker, hon. members opposite apparently do not understand something that the farmers of this country understand well. In view of the total inability of the opposition to understand an agricultural problem, or to interpret the views of the farmers on any agricultural problem, may I say that this is a budget proposal which has been received with warm appreciation by the farmers of this country.

When the hon. member for Bonavista-Twillingate associates his question on this subject with the character of the government, may I say that the government is prepared to meet this matter precisely on that plane, recognizing that we do try in our approach to public problems to have regard for the importance of the basic interests of agriculture in this country.

My final observation is that if the hon. member is concerned about protection for, as he called it, gutless chicken or as the resolution calls it, eviscerated chicken, not the corrupt version of the word employed by the hon. member for Essex East, who is above the rules of the house and now apparently above the rules of English composition as well, I might say to the hon. member for Bonavista-Twillingate that on this subject there are times when I think he needs some protection.

Some hon. Members: Oh, oh.

Some hon. Members: Hear, hear.

Mr. Pickersgill: Mr. Speaker, in view of this entirely unwarranted personal attack—

Some hon. Members: Oh, oh.

Mr. Pickersgill: —I feel I should be allowed to say a word in my own defence. I think, sir, that what the minister needs most is some protection for home grown Canadian humour.

Mr. Speaker: Order. If the debate continues I am afraid that hon. members should put themselves down as having made one speech already in the budget debate.

[*Later:*]

Mr. Martin (Essex East): Mr. Speaker, may I ask the Minister of Finance if he is in a position to say whether his budget as presented the day before yesterday is in any way responsible for the rumours that Premier Frost is to retire from public life?

Mr. Fleming (Eglinton): Mr. Speaker—

Mr. Speaker: Order. I am sure the minister would like to answer, but actually the retirement of Premier Frost from public life is not a responsibility of the minister.

Mr. Grafftey: It will be a good answer; let us hear it.

Mr. Fleming (Eglinton): With respect, Mr. Speaker, there was a point about the budget in the question, and I think I should be permitted to say that while these rumours may have no connection whatever with the budget, I believe there is a basis in fact for the rumours that are being circulated to the effect that this budget is likely to result in the retirement of the hon. member for Essex East.

Mr. Martin (Essex East): Mr. Speaker, I should like to direct a question to the Minister of Finance based on a report in yesterday's Windsor *Star* which reads in part as follows:

> W. M. Benidickson (Liberal, Kenora-Rainy River), briefly replying to the Fleming budget speech, referred to the decision to abolish the 7½ per cent excise tax on cars as the "Essex East resolution"—

Mr. Speaker: Order. The hon. member appears to be reading from a newspaper article what was said by the hon. member for Kenora-Rainy River in the debate which is now to be resumed, if I am correct in what I heard.

Mr. Martin (Essex East): Mr. Speaker, I was asking a question based on a report of a statement made by the hon. member for Kenora-Rainy River. I was seeking to ask the minister if he would care to comment, but if he finds it difficult to acknowledge—

Mr. Speaker: Order. The hon. member is out of order.

REQUEST FOR TABLING OF ECONOMIC FORECASTS

On the orders of the day:

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, I should like to ask the Minister of Trade and Commerce, if I can have his attention, whether he will table for the information of the house the secret economic forecasts made earlier this year on which the budget is based?

Hon. George H. Hees (Minister of Trade and Commerce): Mr. Speaker, any documents to which the house is entitled are always tabled on time by this government.

Mr. Pickersgill: On a question of privilege, Mr. Speaker, affecting all hon. members of the house, there is a most distinguished precedent for the tabling of these documents

in the house to which I would draw Your Honour's attention, a precedent established on January 20, 1958.

Mr. Speaker: Order. The tabling of documents is not obtained on orders of the day either by questions or by raising matters of privilege.

GRAIN

ONTARIO WHEAT—REQUEST FOR ANNOUNCEMENT ON PRICE

On the orders of the day:

Hon. Paul Martin (Essex East): Mr. Speaker, may I ask the Minister of Finance, because he comes from Ontario and because he is the Minister of Finance, when we may expect an announcement from the government with regard to the price of Ontario grown wheat?

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, if the hon. member knew anything about the practices of this house or about agriculture he would know in the first place that the question should be directed to the Minister of Agriculture.

Mr. Martin (Essex East): You don't know the answer.

TRADE

WHEAT—INQUIRY AS TO REDUCED PRICE UNDER SECOND CHINESE AGREEMENT

On the orders of the day:

Mr. G. J. McIlraith (Ottawa West): Mr. Speaker, I should like to direct a question to the Minister of Finance in the absence of the Minister of Agriculture. Is it a fact that the change in wheat board prices and the price of sterling yesterday means in effect that the price in Canadian dollars being received by the wheat board under the second agreement for the sale of wheat to red China varies approximately 5 cents per bushel from what we anticipated at the time the agreement was signed?

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, that is obviously not a question for the orders of the day. I suggest that the hon. member put his question on the order paper in the ordinary course.

HOUSING

C.M.H.C.—MORTGAGES SOLD IN 1960

On the orders of the day:

Mr. J. R. Garland (Nipissing): Mr. Speaker, I should like to direct a question to the Minister of Public Works. As found on page 6849 of *Hansard* for yesterday I asked the minister for the number and dollar value of the mortgages sold by C.M.H.C. during 1960. I, as did other members around me, heard him answer that none had been sold in 1960 although it now appears in *Hansard* as "some". Would the minister clarify that point?

Hon. D. J. Walker (Minister of Public Works): The hon. member is quite right. I should like to thank him for making that correction, and say that my answer was none for 1960.

Mr. Garland: Is the answer "none" or "some"?

Mr. Walker: The answer is "none", as I said yesterday.

INQUIRY AS TO PROGRESS OF CURRENT PROGRAM

On the orders of the day:

Mr. Frank McGee (York-Scarborough): Mr. Speaker, I have a question for the Minister of Public Works. In view of the 400 per cent increase in building recently in the township of Scarborough, I wonder whether the minister could indicate whether the national figures are following that general trend.

Hon. D. J. Walker (Minister of Public Works): Mr. Speaker, I dislike taking the time of the opposition to talk about something that is not as fascinating as eviscerated chickens. The reply is that the revised figures for starts in urban centres as at May, 1961 indicate—

Mr. Bourget: Order paper.

Mr. Walker: Mr. Speaker, for a year and a half I have been bombarded by the opposition with similar questions.

Mr. Speaker: If the hon. member wishes to raise a point of order he should rise to do so.

Mr. Maurice Bourget (Levis): Mr. Speaker, on a point of order, I think the question asked by the hon. member for York-Scarborough is asking for statistics. The ordinary practice has been that questions of that kind are placed on the order paper. I do not think that is a proper question for orders of the day.

Mr. Grafftey: The hon. member should tell that to his colleagues.

Mr. McGee: Speaking to the point of order, Mr. Speaker, the question which I sought to put after many fruitless attempts was one designed to elicit vitally important up to date information relating to a significant field of our economy.

Mr. Garland: On the point of order, Mr. Speaker, may I say that when in similar circumstances on earlier occasions I have attempted to put questions of that nature, I have been ruled out of order.

Mr. Walker: Mr. Speaker, speaking to the point of order, may I say that at no time did

Your Honour ever rule the hon. member for Nipissing out of order on questions dealing with housing starts and the housing program.

We have a special housing program. Parliament was called in November to inaugurate it. The hon. member for York-Scarborough has taken a keen interest in this program. I suggest the hon. member has a right to ask questions and to receive an answer.

Hon. J. W. Pickersgill (Bonavista-Twillingate): On the point of order, I would point out to Your Honour that at six o'clock last evening the committee of supply was considering housing when discussing the estimates of the Minister of Public Works, and if the hon. member for York-Scarborough had been in his place he would have had an opportunity at that time to put this question. We have supply forecast again for Saturday and there cannot be, in the circumstances, any degree of that kind of urgency which Your Honour always insists upon in questions on the orders of the day.

Mr. Walker: On the point of order, Mr. Speaker, we devoted 15 minutes to a discussion of eviscerated chickens. Surely the welfare of the Canadian people in relation to housing is of equal importance.

Mr. Pickersgill: The publicity of the government is of importance to hon. members opposite.

Mr. Speaker: Would the hon. member mind repeating his question?

Mr. McGee: I should like the Minister of Public Works to give the house the latest available information relating to housing starts, which I understand has only now become available to the minister.

Mr. Speaker: I think that question is more appropriate for the estimates, and suggest that it be dealt with there.

COMMONWEALTH RELATIONS

GHANA—INQUIRY AS TO CANADIAN MILITARY AID

On the orders of the day:

Mr. Frank McGee (York-Scarborough): Mr. Speaker, I hate to interrupt the hon. member for Bonavista-Twillingate, but I wonder whether the Prime Minister would care to comment on reports that the Canadian government is to give military aid to the Ghanaian government?

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, the Canadian government has received a request to provide military training assistance to Ghana, and the matter is under consideration.

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed, from Tuesday, June 20, consideration of the motion of Hon. Donald M. Fleming (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

Mr. W. M. Benidickson (Kenora-Rainy River): Mr. Speaker, I am pleased to rise to continue my remarks in connection with the budget. It is obvious that the house is in a receptive and bantering mood. Of course I appreciate the little advance billing that was thus given to the hon. member for Kenora-Rainy River by the hon. member for Essex East.

I am, on the opposition side, the first to reply to the Minister of Finance in connection with the budget which he introduced on Tuesday last. The minister always plays his part on budget night with passion, but I suggest also usually with whiskers. I think he played that part even more obviously on this occasion. I wish, however, to pay a compliment that I read, as I read it, to the Minister of Finance. It was contained in a recent, well distributed article in the London *Economist* which analysed Canadian finances. In this issue of May 27—

Mr. Churchill: Mr. Speaker, would the hon. member permit a question. Is this the article written by Mr. Michael Barkway?

Mr. Benidickson: There is no indication on it of authorship of the article. The article says this, and perhaps this disturbs the minister who rose. I am paying a compliment to the Minister of Finance; I think it is the Minister of Veterans Affairs on behalf of his colleagues who is getting excited. The article says:

> Of all the ministers Mr. Fleming has emerged as the most hard working and the most adept in his department (the competition is not too impressive but the compliment is not intended to be backhanded).

Mr. Grafftey: That is London's opinion of the government. Very interesting.

Mr. Hellyer: They are being very generous, too.

Mr. Grafftey: Government by Whitehall.

Mr. Benidickson: I was referring of course to that place which has always been known as the home of the Tory party and from which one normally expects compliments for a Conservative administration. Mr. Speaker, according to our rules it is not, as I know, usual to quote editorials or newspaper comment in connection with events in the house, although I know that we never raised any

objection, when we were sitting on the government side of the chamber, when the opposition financial critic of those days invariably endeavoured to give to the house in his first speech some of the editorial comment that appeared in Canadian newspapers after presentation of a budget.

Of course on those occasions there was usually a sufficient lapse of time between budget night and the speech of the first opposition critic so that he was able to quote quite a number of editorials. As I say, we never objected to newspaper comments then. Many comments were quoted from the newspapers from coast to coast. Because of the one day interval of time which has elapsed between the presentation of the budget and today, it is not possible for me to do that nationally. I want to say at once, however, that the leader of the house was good enough, in view of the fact that we are coming to the end of our session and this budget presentation was very late, to ask me if I was prepared to go on this morning, and I agreed.

However, I am not going to follow to any extent the practice that used to be invariable in connection with criticism of the budget at this stage when the members of the present government were sitting on this side of the chamber. I am simply suggesting to all hon. members that it would be interesting to examine the lead article in today's Montreal *Financial Times*. I am not going to quote from it; I am only going to refer to six words in the headline.

"The budget was not worth delay."

I said, Mr. Speaker, I would not refer to the contents of this article because of the rules, but I do want hon. members on their own initiative to read the last two paragraphs of this comment in connection with the budget.

An hon. Member: How about some of your own ideas?

Mr. Benidickson: I am prepared to give them in due course.

An hon. Member: Let us have them.

Mr. Benidickson: Out of politeness, courtesy and the rules of the house I will not read the last two paragraphs of this article. My comment, instead of reading these last two paragraphs, which will be of interest to hon. members when they receive this publication, as I believe all hon. members do in their mail boxes, is to say in my own words that I felt there was much in the budget the other night that was unnecessary verbiage and could be described pretty generally as rhetorical ballyhoo.

[Mr. Benidickson.]

The Minister of Finance rather regularly has been misleadingly optimistic to this house. He certainly was so in his budget presentation last year, when he estimated a $12 million surplus and to his disappointment, and to the disappointment of the country, we ended up with a very substantial deficit. Now, again we have an addition to this mountain of debt, and the government are always prepared to explain this by saying that it had been properly planned from the beginning. Indeed, again in the budget speech the other night the Minister of Finance, following this style, said:

In the circumstances confronting Canada today, it is "appropriate"—

That is a word the minister invariably uses. He used it in the national television press conference program last night to answer a great many questions, even in the negative. It was suggested by the press that certain things he was doing today were inconsistent with what he said he could not do a year ago. The minister said they were inappropriate then but were obviously appropriate now; but no proof or evidence was given as to what happened in the 12 intervening months. The minister said in his budget speech:

—it is appropriate, indeed desirable, that the federal government should, by incurring a sizeable deficit, help to stimulate the economy. This we propose to do. Accordingly, I shall not be introducing any increase in our general level of taxation.

He took great pride in that. Then he said:

Indeed, I shall be proposing some significant—

That is another word that the Minister of Finance uses very regularly, but which I think was scarcely fitting to the context of his speech of two hours and 20 minutes the other night:

Indeed, I shall be proposing some significant tax reductions to accomplish certain specific economic objectives.

The house heard previously his inclusion of the word "today". Presumably these economic objectives were the best estimates he could provide to this country as of today. I continue to quote one of the minister's initial statements:

This contribution in the field of fiscal policy taken together with the financial and other policy measures which have already been introduced or which I shall be announcing tonight, will bring about higher levels of production—

Hon. members know how his voice can roll when he says such words as:

—higher levels of production and employment, and a more satisfactory rate of growth.

Mr. Speaker, our contention is that this budget again was not planned. The administration attempts to say it was planned, but I say the plans had been concluded months and months ago and were largely based on

political priorities, not on economic priorities. I want to go on and establish my point. I say that this deficit is the joint result of an expenditure program put forward and completed by the ministers of the crown last autumn. It has nothing to do with June 20 of the current year. It is the joint result of that program plus the lack of growth in crown revenues resulting directly from a lack of stimulus to the economy and a lack of foresight a year ago, both of which, to say the least, increased a recession which we have been experiencing for a considerable time.

There has been for four years an undue complacency with respect to forecasting and to the country's economic interest as opposed to political interest on the part of this government. I think one of the outstanding pieces of evidence in support of this contention is provided by a statement made by the Minister of Finance when, after his budget had been introduced on March 31, 1960, and a surplus forecast, the minister went to a foreign land to meet the outstanding financial experts of the world. He was attending a conference of the international monetary fund, and when interviewed there as late as October, 1960 his view of Canada's economic prospects was that we were simply in, to use his words, a "rolling readjustment". That phrase was not original to the minister. It had been used earlier by the director of the international monetary fund, Mr. Jacobsson.

Mr. Fleming (Eglinton): I do not wish to interrupt the hon. gentleman, who was good enough to give me a very patient hearing Tuesday night, but I think in fairness, as this has been mentioned before, he should agree that that was not all I said about the economic situation in Canada at that time. What he has referred to was one of, I think, four descriptions I employed at that time to describe the economic situation in this country.

Mr. Benidickson: Still, it is something like the statement the minister made when he visited the United Kingdom. His words then were "Canada is sound as a bell". In other words, there has been this advertising of satisfaction and complacency which, I think, has been a contributing factor to the absence, in times of stress, of the concern, the worry and the co-operation of all sectors of this great land of ours, especially, perhaps, in the government service itself, which one might look for. There was an absence of any sense of urgency directed by the minister.

I could, perhaps, quickly retell the attitude taken by the government toward economic matters in each of the four years they have held office. We have conflicting stories about what the position was when the present administration took office four years ago, in June, 1957. During the election campaign of 1958 the theme of the Prime Minister was that he and his colleagues had inherited a mess, that there had been hidden information, and that this was why they had been unable to cope with a recession.

The unemployment situation was very serious in March, 1958 during the election campaign. The government faced unemployment in January 1958, but had decided it was more important for them to go to the hustings than to cope with the economic situation which was so obviously in need of attention. But the Minister of Finance has not been in that camp. The Minister of Finance is never wrong, and in two budget speeches since then he has referred approvingly to his first presentation of an economic pattern for the people of Canada, which he made not in a budget but in a financial statement or a financial amendment on the night of December 6 or 7, 1957.

I remember it very well. The minister has said repeatedly—I could quote him if I were to take the time—that this was just the right thing having regard to the economic conditions which were ahead and that this was a proper revision, a very wise revision. His action at that time has been praised by both the Minister of Labour and the Minister of Fisheries.

Well, we remember the election campaign. We remember that in that campaign the Prime Minister said that while unemployment had reached peaks beyond those which had been experienced since the pre-war depression, if he was elected no person in Canada would suffer because of unemployment. He said that in Halifax a day or so before the end of the campaign on March 31, 1958. We still do not have a very healthy economy, but most ministers, after their election in the summer of 1958, went abroad and there, of course, they painted a glowing picture of the economic situation in Canada.

We come to 1959. There was a little upturn and still a fair amount of unemployment. There was not much investigation, in a scientific way, as to its causes. In any event the government thought the time had come to break what they thought was to be a continuing boom in this country, and there was in the 1959 budget to confine it the imposition of an additional tax load of some $350 million annually.

I wish to proceed rapidly and come to the last major budget with which we are familiar, namely the budget which normally comes in March and which, on this occasion, did come in that month. In March of 1960 we still had

impressive unemployment rolls but the minister said the unemployment would not be a burden or a worry once the snow departed. I know that hindsight is easy, and that it is a proper criticism to those who say "You should have known better" to tell them it is easy to be right by hindsight. But I said in December and the other night, and I am prepared to establish, that at that time, on March 31, 1960, there was again undue complacency and an inadequate appreciation of economic facts.

I gave one illustration Tuesday night. I showed that it was obvious to the Canadian Press, that three weeks before the presentation of the budget it reported there was a radical difference of opinion between the official opposition and the government as to whether adequate steps were being taken to cope with some clouds which were threatening on the horizon. The minister asserts to be always right in these matters, but I do say it was only 12 days later that there were quoted to him from this side forecasts which have proven reliable in the past and which have since proven as reliable as any I have seen. The minister was not prepared to do anything except assail the opposition for presenting these forecasts, including one from a very distinguished economic adviser to the government, Dr. Firestone, in one of the senior departments of the government. The minister pooh-poohed this and said he was not prepared to listen to gloom and doom.

This attitude continued. My challenge is not only that the minister may have ignored some of the facts which were obvious to others, but that he continued to ignore them and continued to neglect to impose policies which might have reduced the impact of a recession. Indeed, as I said the other night it was the Minister of Finance apparently—and this charge comes from a cabinet colleague, not from me—who turned off the tap with respect to housing. Housing is one of the economic factors so directly and quickly related to the provision of employment.

However, to take another source, I am quite confident that most hon. members of this house receive in their morning reading material here in the city of Ottawa the Montreal *Gazette*. It is well known that a very distinguished writer's articles, those of Mr. John Meyer, appear on the financial page of that newspaper. Three days after the budget was introduced last year Mr. Meyer stated that the budget, as a stand-pat budget, was an inadequate budget, saying this should have been obvious to the government. However, the government went blindly on with it. I recall that the Minister of Finance went to Winnipeg in the middle of May and stated there that things were wonderful and that he had no time nor patience for people of doom and gloom. He shut his ears to all warnings.

Perhaps the next senior minister of the government whose activities might be related to the business and employment situation is the then minister of trade and commerce, the present Minister of Veterans Affairs (Mr. Churchill). He went to Winnipeg as late as the first week in July 1960, and there could not have been much ministerial consultation in regard to the economic field because the phrase he used at that time, which was a striking one. It was that the economy of Canada was going up like a rocket. This blindness, stubbornness and persistence on the part of the government continued.

The Prime Minister, during a very important speech made in October, 1960 said that we had been experiencing the three best years in Canada's history, which I suggest indicates that he was no more concerned than the other two economic ministers about those individuals in very great numbers who were not enjoying three best years in Canada's history.

Shortly after that the government decided to have the session commence earlier than most sessions do. It was called for the middle of November. At that time a program was presented, part of which was included in the speech from the throne, involving legislation of various departments. In addition it was intimated that we perhaps would have an amending budget.

It is the Minister of Finance I am concerned about. How worried has he been about the growth of the Canadian economy during 1960 which we are now reviewing in this budget debate? We met in November. The opposition complied very readily, with much alacrity, to anything that appeared to have an employment content, and several bills were passed before Christmas. I was shocked since to find that although we passed the legislation in December before adjourning for Christmas, in many cases where the cabinet, in view of the emergency, asked us to grant to it quickly executive powers it did not even have the orders in council ready until well after the new year.

I can cite one illustration in this regard, the small businesses loans bill, to which the Minister of Finance referred the other night with some satisfaction. There was here a familiar pattern which can be easily followed because there was a similar law in respect to the Farm Improvement Loans Act. If this administration had been sharp and anxious to see an upturn in the economy of this country, the $65 million of likely loans, about which they spoke in that debate, should have been put to work immediately.

I suggest the government should have arranged, in a preliminary form at least, the orders in council in respect to this legislation even before it was passed by this house. However, the order in council in that regard was not ready until January 19, 1961, a month later.

This measure was supposed to be an important factor in creating winter employment. However, this is the kind of nonchalant attitude the government has in respect to economic matters, which I feel justifies the criticism this administration has received particularly during the past year at a time when unemployment has been heavier than in any year since the thirties.

I can cite other illustrations. In connection with small business loans I charge the government that there was the usual administrative inefficiency in getting the orders out and the paper work done. In connection with the small businesses loans measure, the minister said that a substantial number of dollars had now been loaned. This has been done after the period during which people were looking for winter work. We were informed that this $65 million would become available very quickly, presumably in the winter. However, the last time he made a return to this house, at the end of April I believe, only about $4 million had been loaned under this program.

I am now looking at the Minister of Trade and Commerce. I give him good marks for some of his activities. He has been endeavouring to be the cheerleader promoting exports in connection with export trade. I think he is to be commended for the publicity and attention that he has aroused. But publicity is not enough. I recall that the Minister of Trade and Commerce really blew his top in regard to publicity last November with this unemployment crisis approaching. At that time he announced that there was a billion dollar proposition coming up soon to finance export trade.

Mr. Hees: Could I ask the hon. member to produce that statement from which he is quoting, in which I am supposed to have made that remark; because I do not recall it.

Mr. Benidickson: I have not got it with me.

Some hon. Members: Oh, oh.

Mr. Benidickson: I have read that statement, and I have asked a question about it in this house. I asked the minister why, after all these months, this legislation was not available.

Mr. Hees: What legislation are you referring to?

Mr. Benidickson: I am referring to the Export Credits Insurance Act amendments. I also asked the minister a question in connection with the counterpart, the private company arranged by the banks, and why that seemed to be at a standstill.

Mr. Hees: I should like to say to the member that he is hopelessly confused because nothing has been at a standstill. The whole thing has been going ahead very satisfactorily, as the businessmen of this country will tell the hon. member.

Some hon. Members: Order.

Mr. Benidickson: Mr. Speaker, I think two days ago the minister himself said during the debate on the resolution, which he only introduced last week, that the China wheat deal which has received a great deal of prominence might have been financed through the utilization of this legislation. Of course it was not because the act, without the amendments, did not have adequate financial backing to take care of a deal of that magnitude.

Mr. Hees: Mr. Speaker, on a question of privilege, the hon. member continues to quote me incorrectly. I said this thing could have been done but was not done for the reason that—

Some hon. Members: Order.

Mr. Pickersgill: Take your turn in the debate.

Mr. Speaker: Order. If the minister feels he is not being properly quoted he will have the opportunity later to make an explanation. However, if the hon. member who has the floor yields the floor, that would be in order.

Mr. Chevrier: That is his way of making a contribution to this debate.

Mr. Benidickson: Mr. Speaker, I should like to bring hon. members up to date as to the thinking of the Minister of Finance. Despite the fact that some of this unemployment legislation was before us this session it did not move very fast last winter during the serious unemployment situation. I refer the Minister of Finance to the annual budget, which I describe as his pre-budget or advance budget, which he gives to friends annually in Toronto in January at the forum of the Toronto board of trade.

Mr. Fleming (Eglinton): The board of trade?

Mr. Benidickson: The Canadian club.

Mr. Hees: Get a few of these things right.

Mr. Fleming (Eglinton): I have not spoken to the board of trade.

Mr. Hees: Get the odd thing right. We do not ask you to get everything right; we know you cannot.

Mr. Benidickson: The Canadian club; I stand corrected. Invariably, in the first two weeks of January, the minister makes a statement of this kind. He calls it his review of the economic situation. It usually contains a review and a forecast; his Toronto friends sometimes get it before anything so complete comes to the House of Commons. However, on this occasion the Minister of Finance said that we started this session early. He said though it was not an emergency session and there was nothing of very great emergency in the country at that time. This has been the attitude of the Minister of Finance all along in these serious times.

I could continue to quote the minister and the trade ministers. They were divided in this instance. My friend the Minister of Trade and Commerce, of course, joined the Minister of Finance in such attitude. At the end of the year 1960 he went on a national hookup and said that everything was wonderful. The Minister of Labour did the same thing. This does not impress the Canadian people when all should be working together to consider the dips and troughs in our Canadian economy that were so obvious at the time those rosy pre-budget statements were being made.

Of course the Minister of Trade and Commerce changed his mind. He is very versatile. A month had not elapsed before he went out and made another speech, in which he rather contradicted the Minister of Finance. He said, "Things will be worse before they get better". This was not the kind of optimism that was expressed at the finance minister's banquet in Toronto earlier in January 1961.

Mr. Hees: Would the hon. member mind quoting that reference. I would appreciate it if he would, Mr. Speaker.

Mr. Benidickson: Does the minister deny it?

Mr. Hees: I cannot remember making that statement. I would appreciate it if the hon. member would quote the reference.

Mr. Benidickson: Does the minister say he did not say it?

Mr. Hees: I am asking the hon. member to quote what I said, because he said I said it. I ask him either to quote it or take it back.

Mr. Benidickson: You said it, all right.

Mr. Martin (Essex East): On a point of order—

Mr. Hees: I do not remember it, and I should like the hon. member to quote it.

Mr. Benidickson: The minister makes so many speeches he cannot remember what he said.

[Mr. Hees.]

Mr. Deputy Speaker: Order.

Mr. Martin (Essex East): The hon. member for Kenora-Rainy River is speaking on behalf of the opposition following the budget speech. The last half hour, Mr. Speaker, while you were not in the chair, sir, we have had persistent, ill-mannered, unbecoming interruptions by the Minister of Trade and Commerce. I think you should caution the Minister of Trade and Commerce that this is conduct not becoming a minister of the crown.

Mr. Benidickson: May I say that I have already excused the minister.

Mr. Hees: The hon. member for Essex East resents anyone usurping his role as the interrupter in chief of the House of Commons. All I was saying to the hon. member for Kenora-Rainy River is that he has said that I said certain things, and I ask him to give the quotation.

Mr. Deputy Speaker: Order.

Mr. Chevrier: The minister has no right to do this.

Mr. Deputy Speaker: Mr. Speaker has indicated before that hon. members should not interrupt the member who has the floor unless he yields. I think at times the hon. member for Kenora-Rainy River has yielded the floor. If he feels that he should not be interrupted, then he is perfectly entitled to continue—

Mr. Martin (Essex East): There was no justification at all for the remarks of the Minister of Trade and Commerce—

Mr. Benidickson: Mr. Speaker, I indicated—

Mr. Deputy Speaker: If the hon. member insists on keeping the floor he is entitled to it. I would ask hon. members to allow the hon. member who has the floor to continue his speech.

Mr. Benidickson: Mr. Speaker, I say that this is background to the presentation of the 1960-61 budget. It is indicative of the complacency about which I complain. We thought if the 1961-62 budget was not brought forward—and it is a very important guide to businessmen across this land, particularly in times of stress—if we had a very unusual delay, the content would be helpful to the economy and impressive. I say the contrary is the case. The impressive part is the fact that we are to have a cash deficit of about $1 billion. This is the fifth deficit presented by the Minister of Finance.

There was a very interesting and short but important proviso in the minister's budget statement last Tuesday night when he referred to the fact that at long last a decision had been made at the governmental level to take the

initiative in connection with our foreign exchange situation. There is one short sentence in the budget which I paraphrase as saying "This, of course, is not in current budget expense". However, when you think of the billion dollar cash deficit, and when you think in terms of what some experts, including the minister, have said as to the financial obligations involved in interfering with the market situation in this field, I think one must come to the conclusion that this was an undesirable minimizing of the problem in the speech of great length which the minister made the other night. I think it was altogether too inadequate a reference to something which could involve a great amount of dollars and, of course, in all its aspects could mean big involvement in the money market of this country.

I refer the minister to the latest issue of the *Financial Post*. This is a national financial paper which came into our hands only this morning. The assistant general manager of the Royal bank, on page 35 in looking at the prospects and the situation with respect to the foreign exchange control situation, estimated that every point of control related to the Canadian dollar vis-à-vis the United States dollar could conceivably require backing by the crown of $200 million. This gentleman is much better informed in this field than I am. He happens to be a vice president whose department is economics.

I heard reference to this question last night on the national television program when the minister appeared on "Press Conference". I observed that he did not give his interrogators very much room, as usual, but I think Mr. Barkway said he thought the liability would be just about half the figure mentioned by the assistant general manager of the Royal bank. He said that perhaps $100 million would be the figure rather than the $200 million which I have quoted. The minister on television did not answer; his rapid tongue just kept going.

An hon. Member: Wagging on.

Mr. Benidickson: Wagging on; and the question was ignored.

During this budget debate we shall have opportunities which were not available in the half hour allotted to "Press Conference" to get answers to some of these questions of tremendous significance. As I say, I received the *Financial Post* this morning. I put this to the minister. These questions are of such significance that the minister cannot possibly refrain from commenting upon the financial liabilities in connection with them.

In fact he did so in parliament as recently as February of this year. I realize I am not entitled to quote him in the same session. In February he gave us five reasons why this was something that we should not look at. Last year in his budget speech on March 31 he explained about the financial obligations involved. He warned against interfering with normal supply and demand. He did the same in January 1960 in the annual budget speech which he makes to the people of Toronto, at meetings of the chamber of commerce.

I want to refer the minister to his speeches in this respect on these several occasions and ask that he give the house an explanation, and go further than merely saying that our obligations herein—I am paraphrasing his words—do not come into the current accounts. Certainly this does not enter into the deficit figures found at the end of his address on Tuesday night.

We are to have a known cash deficit of a billion dollars. I suggest that we will require at least a billion and a quarter dollars not only to undertake what he has told us about specifically but also to assume the responsibilities that he has announced in connection with Foreign Exchange Control Act operation. How does he propose to finance this? We must know before the debate concludes. Is the minister going to do it by monetizing the lion's share through the banking system rather than with important public purchase?

He will have noted that the day after his presentation of this budget those people who usually have the most acute awareness so far as inflation indicators are concerned, acted rather promptly. There was an unusual rise of five points on the Toronto stock exchange yesterday. Most people that I have met say that this would be a well known hedge taken against inflation. I think the minister should perhaps have regard to some of these reactions. Apparently the investors in the financial markets think there might be inflation and that they should hedge against it in the market. Certainly they were grabbing for stock equities yesterday.

Last year the minister told us proudly that all was well. He said the treasury would be in a surplus position and, as I have suggested, he remained blind to any other indicators for quite a long time. Immediately after the presentation of last year's budget a very interesting publication was issued by Saunders Cameron Limited of Toronto, to its clients and others. This is a bond house whose publications are often quoted. They had this to say four or five days after the minister had presented the budget on March 31, 1960. I quote:

One of our friends feels it has gone too far—

Seemingly the government and the minister had gone too far in extravagant statements such as are usually in the budget.

—commenting, "if the budget's assumptions are correct, the bond market is too high. If the market is correct, then the budget is wrong, and we will have such poor business that we will have a good sized revenue deficit."

That was at the time the minister was telling us that in the economic interests of the country we should budget for a surplus and disregard such factors as unemloyment and so on. So if again in 1961 the market is going against the minister it is a matter of many minds of people, I suggest, who feel, contrary to the minister's view expressed to us budget night that the threat of inflation is "minimal". I think that was his word. He parried the question pretty well last night on television. That these people should hedge at once against inflation because as sophisticated people they seem to think that inflation is involved in the mountain of debt which is to be added to as a result of the announcement Tuesday night, should give the minister pause for thought.

I think we in the house should perhaps look at something else that is a warning. On the very day that the minister introduced his budget his counterpart in the United States, the secretary of the treasury, made a major speech in Washington in which he indicated that in his negotiations with the United States congress he was most concerned whether or not congress would widen the deficit that would result if congress did not accept the President's proposals which on the revenue side included somewhat more stringent measures with respect to tax deduction opportunities.

The point that I thought was of great significance when I read the story yesterday was that it was obvious from Mr. Dillon's speech that although he said some compromise might be possible, he was fighting against the possibility of a deficit beyond $3.2 billion. So far as the equivalent here is concerned, one can take almost any index, population, gross national product, or individual personal earnings. Let us assume that everything is ten times bigger. If Mr. Dillon was concerned about a deficit beyond $3.2 billion in that country on the day the minister was bringing in his $1 billion budget, according to my thinking ours could be related to a $32 billion cash deficit in the United States. Mr. Dillon said that the President would veto any reduction in prospective revenue that would increase the deficit in that country beyond $3.2 billion. We are talking here in terms of $1 billion, but if you want to relate it to our population, our gross national product or anything else, use a multiple of ten and then regard the minister's deficit in that way.

We were surprised that for the first time, I believe, there was evasiveness displayed by the minister with regard to the usual gross national product forecast. He did refer specifically at one point to a possible 3 per cent G.N.P. increase, but hon. members will recall all the escape hatches, and not the historic ones, that were related to it. The minister abandoned the historic ones last year, as I indicated the other night. I do think this is an indication for businessmen who make plans and who, having paid their taxes, think they should get from the head of the treasury, based on all the excellent talent available in the government departments, an economic forecast in such a vital matter as the gross national product.

Such a forecast, of course, is being made three months later than usual, but it still would be of some use to businessmen in their calculations and operations for the balance of the year. We want to know how the minister is going to finance this cash requirement of $1 billion. There is an unknown factor, of course, in connection with the Foreign Exchange Control Act, but let us take the announced $1 billion cash deficit. How is the minister going to finance that? Is it his proposal that the Bank of Canada accommodate this $1 billion? If it is not to be financed through the general public, will it be monetized through the banking system?

We have seen nothing in the budget to justify the very unusual delay in its presentation. I am wondering if it took the minister three months beyond the usual date for the presentation of the budget to convince his cabinet colleagues, some of whom may be spenders and some of whom may have an eye on the forthcoming election, that he must draw the line in connection with this expansionist program. Except for the decision in connection with the exchange fund, any big decision that involved dollars and cents in the budget had been made months ago. As I have said, such calculated amended decisions in respect of the current fiscal year in the budget involve only $65 million. However, for the last three months people have been paying excise taxes on automobiles which the minister says, for the economic health of this country, should be removed. Why were they not removed three months ago for economic advantage?

Mr. Martin (Essex East): They should have been removed two years ago.

Mr. Hellyer: You mean the government should have been removed.

Mr. Jones: I wonder, Mr. Speaker, if you could protect the member who has the floor from the interruptions of his own members?

Mr. Benidickson: My point is that, beyond the unknown obligation undertaken in respect of foreign exchange control, this budget has nothing in it to warrant the delay. So far as the deficit is concerned, that was determined many, many months ago. Those who are familiar with government procedures know that in the autumn the colleagues of the Minister of Finance prepare for him the estimates of their departments. This perhaps occurs initially in September. These estimates are reviewed, I know, by the officials of the treasury board and then they go to the minister. The ministry then make a decision with regard to those matters of expenditure before Christmas.

I am sure this course was followed this year. It takes a considerable amount of time to have the printing of the estimates book done so the members of the house can receive the book of estimates. This book of estimates for the next year is usually presented to us in January. The minister told us on Tuesday night that quite irrespective of the lapsings and the increases in expenditures that might occur, this budget on balances involves an increase of about $450 million during the present 1961-62 fiscal year as compared with the past year.

I say the ministers of the crown had already told the Minister of Finance what they wanted and months ago he had made decisions in respect of those expenditures. In spite of this, when the minister came before us on Tuesday night he said that, in the circumstances confronting Canada "today", it is "appropriate" to do such and such. The minister's colleagues had known for months that they could not make additional expenditures without wrecking the monetary system, but it would seem that for three months he had difficulty in persuading them that these were the hard facts of life. What we really got then, on June 20, although it was wrapped up in these grand words "an economic budget", was a change of only $65 million. The minister, in standard style, used these lavish words and referred to "my program to stimulate growth, enlarge production, increase trade and extend employment". There was only $65 million worth of financial change involved as disclosed.

During the last 12 months we have had two budgets. In view of the fact that the minister was hamstrung by decisions made seven months ago when he, the Minister of Trade and Commerce, the Minister of Labour, the Prime Minister and others were saying that there was no emergency, there was nothing too much to worry about, they thought, I predict that we may have a third budget within a period of 12 months.

This is easily established by looking at the accounts the minister gave us the other night. He said that to the extent our expansion is accelerated there will be an increase in revenues. Here again I say that this is not a frank statement. The budget is supposed to be a presentation by our treasurer to the citizens of Canada, and in my opinion this language involves ambiguity as I suggest it would to most people who read it. I ask the minister, does that mean there is going to be additional revenue or is he prepared to stand by the prediction that there will be acceleration during the current year that is provided for in an increase in revenues during the current year as outlined on page 6666 of *Hansard*?

When we get to the harsh end of the figures the minister says that the tax revenue for the current 1961-62 fiscal year is to be $5,150 million compared with $5,016 million last year, a difference of about $134 millon. Is this the minister's best guess as to what our revenues are likely to be? The minister invariably brags, and did on Tuesday, about the growth in the number of people employed. The rise in employment has not been up to ordinary standards and the numbers of unemployed have been greater than the standard. Is the minister predicting that there will be acceleration that will alter these figures before the end of the fiscal year, or is he coming to us frankly and saying that this will be the only increase in revenues compared with last year, based on a budget which, including old age security, non-tax revenues and supplementaries, will I predict eventually come to $7 billion? Is he saying that this is all that results during the current fiscal year in so far as expansion is concerned? There is not very much expansion here. This is very obvious to most people, except for the type of language that is invariably used by the minister.

The minister said that with the stimulus imparted by his budget proposals to the levels of economic activity he would expect a general rise in our tax revenues between now and next March to offset the particular tax reductions he proposed. I think he is still talking—I want to confirm it—about merely $134 million of revenue increase this year compared with last year. Of course, in so far as expenditures are concerned he said he had been big-hearted in stimulating the economy on an expansionist basis. After the fine words have been said and the figures have been placed on the Clerk's table, after the oratory is over, we wake up in the morning and read the figures and find that there

was only $65 million involved this fiscal year in so far normal accounts were concerned in a budget which had all this advance publicity as an expansionist budget. This means that on budget night any dynamic or expansionist programs could not be announced because the real truth is that everything that was financially binding upon the minister, and perhaps scaring to the minister, had been settled last autumn when the minister, as chairman of treasury board, approved the spending programs of his colleagues. As I have suggested, these are not at all, as the minister said in his introductory remarks, related to the appropriate needs on budget night of June 20, 1961.

The result is the treasury convinced everybody that it was bare and broke. The treasury was conscripted long ago by the ministers for political expediency rather than economic requirements. Therefore, at a time when we were led to believe we would receive some real economic guidance, something dynamic —which I believe is a favourite word of the Minister of Finance—the finance minister was helpless.

The press did not give that impression. They get advance copies of the minister's budget words. They have a closed conference on budget day and they have to read a long speech. The word goes out, "Canada has a cash deficit of $1 billion" and the impression given is that in the main it involves new decisions for dynamic leadership decided upon by the minister just prior to budget night. This is not the fact. There are other obligations, which the minister has not disclosed. These involve taking at long last some leadership in the exchange control field.

We even had an investigation in parliament recently. We had a most useful one undertaken by the Senate manpower and employment committee. There is a large Liberal majority in the Senate itself, but in the committee there was a majority of supporters of the Conservative government. However, that was of no consequence; the report was unanimous. This committee did a great job over two sessions. It was one of the most useful committees I have known and I compliment those who took this matter so seriously. It was a marvellous thing that so many worthy people and organizations from across the country appeared before that committee to give their counsel in this most serious matter. I refer, of course, to the problem of the great number of unemployed in this country today.

The result is that notwithstanding this most recent parliamentary report, and despite the minister's budget oratory—I say we have had there only the dynamism of the windmill, when one reads the 50 or more pages of his speech which result in very little financially or socially—there was nothing dynamic in the minister's announcements budget night. We might have expected something dynamic in regard to education. I am sure the minister has seen and is familiar with the report of the Senate committee on this question, but I think the house and the country should be made familiar with what the Senate committee thought was of prime importance after its extensive deliberations.

I refer to the section of the Senate committee report dealing with education and the fact that without retraining and education those still in school, and those who have left school, are in their judgment likely to find it very difficult, even in good times, to earn enough money to maintain the standard of living this country wants to see them maintain. I quote from page 8 of the Senate report:

> **This leads to a consideration of the whole question of education and training in Canada. Nothing—**

I emphasize these words.

> **Nothing has impressed the committee more than the very heavy incidence of unemployment among young people, the unskilled, and the inadequately educated. This has been brought out repeatedly, both by the committee's own research staff and by other witnesses. Every study that has been made reveals that in the economy of today the emphasis is increasingly on skill and training, and every forecast that has been prepared indicates clearly that this trend will continue in the years ahead. The opportunities for unskilled and semi-skilled workers are becoming more and more limited as time passes.**
>
> **This situation must be viewed with a sense of urgency. Without any question we must devote a much larger proportion of our resources to education and training of all kinds—**

If the minister was anxious to follow that recommendation it seems he was unfortunately without resources. It had been decided months ago what was to be done. The Senate manpower committee report says we must devote more resources to education and training.

The Senate committee conclude this portion of the report by saying we must begin now.

The minister may say we had such a program this session in connection with vocational training. The Senate manpower committee were well aware of that, but in their view it was quite inadequate to meet the very important problem with which they were dealing. What is this government doing for the young person? These young people are the ones who in large measure cannot enter the labour market in an initial way and find a job when times are as tough as they have been and continue to be.

All the government is offering our young people in this budget is this. "You will assume,

in addition to the debt of perhaps $14 billion net that we older people left you, another $700 million approximately as of today. We do not know when we will pay it. That will be a burden upon you as you grow older".

Despite the promises of this administration prior to coming into power, nothing has been done for the municipalities. I could quote, but I will not do so, the lavish inducements that were given to representatives of municipal governments and their taxpayers in regard to assistance they might be given if the Prime Minister assumed his present post.

In so far as employment is concerned, I am satisfied that much more can be done at the municipal level, and much more quickly, to reduce unemployment in the municipalities, if the municipalities have the proper resources, beyond that which can be done by some fancy federal public works building that usually requires a great deal of long range planning and so on. I think this budget contains $10 million of tax forsaking for the encouragement of more efficient business. I look across to my hon. friend the Minister of Trade and Commerce. Rumour has it that he meant what he said across the country, that he wanted exports to increase and he would do his best in cabinet discussions to see that exporters in this country were not non-competitive; he would do his best in connection with tax situations that put industries in an unfair position in respect to their competitors.

We have a section in this budget dealing with depreciation allowances. As I say, the cost to the treasury is $10 million for 1961-62. That is not very much when compared with the ambitions of the Minister of Trade and Commerce for our export trade. I believe almost everybody thought the minister would be successful in encouraging those in the export field by providing some spur from this government in the form of tax incentives. However, there is nothing in this budget in that connection. There are many who believe we could not lose anything by giving a tax abatement for the first two or three years of production to new industry which has never provided tax in the past. We do that for the resource industries. If the government has not been getting any taxes at all and an industry is likely to encourage the production of taxes in the near future, would this not be an incentive that would mean something? The Minister of Trade and Commerce looks rather sad. I think perhaps he got the facts of life from the Minister of Finance.

Mr. Hees: That is not why I am looking sad.

Mr. Benidickson: But while we need this at this time, and though we needed it a year ago, nothing has been done. Perhaps now it cannot be done because, as I say, the treasury is bare and broke.

There are other suggestions of this kind with which the minister is familiar. I was impressed, as I am sure a great number of other members were impressed, as to what this restraint means because of past commitments and decisions. The most worth-while thing we should be thinking about are ways and means of reducing to a minimum the canker of unemployment. I read with grave concern the report of the Senate committee in this respect. They said they hope we shall get at this time bold actions. The Senate said that large amounts of money would be required but that mass unemployment in itself entails the expenditure of large amounts of money.

The Senate committee estimates that unemployment benefits and unemployment relief cost Canada roughly $600 million last year. In addition there is a production loss—and this is a factor which should always be in our thinking—which may be put close to $3 billion. On top of this is the social and psychological damage caused when hundreds of thousands of men are unable to find work. This cannot be afforded. It simply means that we have to be in a position to deal with this in a financial way, and I think the Minister of Finance, when we are engaged upon a discussion of Canada's finances, must be prepared to do that.

As I see it, those are the bare bones of the dollars that are involved and are upsetting ways and means. After two hours and 30 minutes the facts come out, but of course they come out only when we see the text when we read *Hansard* because they are contained in a table which goes to the Clerk. But the grand words of the minister go out to the press beforehand. We have a deficit of a thousand million dollars—

Mr. Fleming (Eglinton): That is the cash deficit.

Mr. Benidickson: That is the cash deficit. The minister, of course, having been found wanting in his prognostications in a specific way got a little timid this time and took the attitude well, it will likely be $650 million but I want a little insurance this time so that I shall not be criticized for being a bit out. Of course he was out this last year to the tune of some $350 million; the difference between a $12 million surplus and a $345 million deficit is actually more than $350 million. However, the minister has done the unusual thing here, and he has a spread of $100 million. Besides this, he has not been

frank and forthright with us, as I think he should have been, in giving us even a key. He has couched references to the gross national product in the most vague terms and this, I suggest, is unprecedented.

However, we have in this budget one element which, perhaps, is of some consequence and to which attention should more deservedly be paid. I refer to the minister's statement with respect to capital savings, balance of payments and exchange rates. I quote from the hon. gentleman's budget speech.

When the economy was fully employed and expanding rapidly and when inflationary reserves were active, such capital inflows—

The minister had been talking about capital inflows.

—and the matching import surpluses of goods and services were appropriate and beneficial.

Mr. Chevrier: That was in Liberal times.

Mr. Benidickson: I was going to refer to that.

Under today's conditions they are not only unnecessary but in some forms they can be even harmful.

Even in the current session, and certainly in every other session of the present parliament during the past three years, the minister and all those associated with him have said the very opposite. They have spoken with great horror about the previously high imbalance of payments in 1956, and, of course, used it very noisily during the last election campaign. Nevertheless here we find these astonishing words "when the economy was fully employed and expanding rapidly". Does anybody doubt that the economy was at its peak in 1956? But when that was the situation—and the minister has always asserted that there were unnecessary inflationary pressures at that time—the hon. gentleman finally says to us, after four years of political activity on an opposite course, that these were appropriate and beneficial under those conditions.

Then the minister goes on to say, in this section of his speech:

The public reactions to these warnings and measures—

He is speaking of the budget of March, 1960.

—have clearly been in the right direction. The capital inflow has been reduced, the exchange rate on our dollar has been reduced, the surplus import of goods and services has been reduced; but they have not been reduced enough.

But to return to the minister's performance last Tuesday night on television, I must say I was astonished that when he was challenged as to why he had been so slow in taking action in the control of foreign exchange, if that was to be so tremendously beneficial, he should have said that while it was not appropriate then, because of what he had done a year ago it still was now appropriate. The interesting thing is that one has to go outside the budget speech to another speech which the minister made in the country in order to find a key to why he thought his budget of March 1960 was helpful in the matter of reducing the premium on the Canadian dollar.

I find that the minister has held this view for all the 15 months since he presented that budget. The interesting thing is that apparently it was the fact that he was only going to the market for $210 million that made this helpful. Indeed, as late as January of this year, in his 1961 budget presentation to his friends in Toronto, the minister made the statement that his budget in 1960 had been helpful in the Canadian dollar situation because he went to the market only for $210 million, and it had a direct relation to the premium on the Canadian dollar. Now what is the situation going to be when in one portion of the budget the minister says he is going actively into the market to assure that the Canadian dollar goes down and there will be, using his words, "a significant discount"? We, of course, want to know what "significant" means before we can conclude this debate.

Mr. Pickersgill: We will not find out.

Mr. Benidickson: We will put forth our best efforts to find out. There is great inconsistency. The Minister of Finance in Toronto as recently as January was defending the uncontrolled exchange rate on the Canadian dollar. I think he will recall that we in the opposition expressed concern a year ago that the premium on the Canadian dollar had a very damaging effect upon our over-all economic situation, and particularly upon our vital export trade and tourist trade. As I say, the minister was a great defender of the uncontrolled premium as recently as a year ago.

It is very disturbing to some readers of the minister's budget to compare his former statements with the minister's statement on Tuesday night in which he said, in connection with balancing payments, that it would be the government's aim to reduce the trade deficit and the balance of payments substantially, and to ultimately achieve a position of balance. In the next paragraph he said the government's purpose was to put Canadian producers in a position where as a result of these policies they would soon—he was talking about exports—be selling at home and abroad many hundreds of millions of dollars worth of Canadian goods and services which would yield a substantial effect, directly and indirectly, in the form of "more jobs, more

production, more business opportunities for our industries." Here again is the usual very extravagant language of the minister regarding what is going to be done about our exports.

Mr. Hees: That is very true.

Mr. Benidickson: The Minister of Finance apparently has confirmation from his colleague the Minister of Trade and Commerce that this is the forecast. I hope they are both better prophets now than the minister was in connection with the over-all forecast regarding a surplus a year ago.

I should like to say in this connection that when emphasis is placed in this budget on the value of the government intervening in connection with exchange control, there is inconsistency; and I refer to the minister's statement on this subject in Toronto on January 11, 1960. He said that anyone seeking to buy Canadian dollars with United States dollars or other foreign exchange would create a demand for Canadian dollars, and this demand for Canadian dollars arises from our merchandise exports, from foreign tourist expenditures in Canada, from foreign purchases of Canadian securities and from a whole host of other transfers of funds from foreign countries to Canada. He also said the effect of Canada's very large deficit in its commodity trade and other current account transactions tends to raise the value of United States dollars in relation to Canadian dollars. Indeed, the larger the trade deficit the stronger is the upward pressure on the United States dollar as compared with the Canadian dollar. Those were the statements he made as late as January, 1960.

We are now told that the big thing in this budget is the likelihood that the government will assure that the Canadian dollar will remain at par or, indeed, at a significant discount. In the same speech we are told that we are going to eventually eliminate this imbalance of payments, and that this means, in the words of the Minister of Finance, hundreds of millions of dollars of exports. I think we are entitled to a little further explanation about this ambiguity.

I ask how expensive this is going to be if the minister is going to control the exchange as between the Canadian and the United States dollar. I am not complaining about his objective in this regard because we have urged the same objective but he is not telling us about the financial obligations which will result. I suggest they might be very severe, having regard to what he said last year. I am taking his word of last year, when he said that this would be exceedingly expensive. Then he said in his budget that exports were going to increase by hundreds of millions of dollars and that this would help to increase the value of the United States dollar vis-à-vis our own. I suggest we have heard much too little from the Minister of Finance in this respect.

The minister also said in that same speech of January, 1960 made to the Canadian club in Toronto in respect to the premium—and he was referring to United States and foreign investors—that if outsiders wished to invest in Canada it was because they have confidence in our country and its financial soundness. I suggest that the minister has announced a tremendous cash and huge ordinary deficit as shown by the budget papers we have before us.

As somebody asked last night during the press conference program, is it possible that the minister is really thinking that this control on foreign exchange is in fact not going to be very expensive to him because in the ordinary course and due to some of the matters to which I have just referred, as the Canadian dollar will perhaps fall anyway in relation to the value of the United States dollar.

Mr. Speaker, I see it is almost one o'clock, but before we adjourn I should like to refer to a press clipping which I now have through the courtesy of my friend behind me. It is from the Ottawa *Citizen* of February 2, 1961 and contains a spanking, a whipping up, or cheering on by the Minister of Trade and Commerce. The heading is "Hees Blames Canadians for Slowup". The minister is reported in this article as follows:

> "We are facing a difficult time and things are going to get worse before getting better".

This statement was made after the glowing report made to the citizens of Toronto in the annual statement of the Minister of Finance early in January, 1961, at which time he suggested there was no emergency and indicated just too much complacency.

At one o'clock the house took recess.

AFTER RECESS

The house resumed at 2.30 p.m.

Mr. Benidickson: Mr. Speaker, when the house took recess at one o'clock I was dealing with what I thought was one of the major items of interest in the budget—and there were not too many of them—that might have justified the delay in its presentation. I was dealing with the proposal of the Minister of Finance for a new policy with respect to foreign exchange control, which he argued against last year.

In the course of my discussion I indicated that the minister had appeared at a press conference on television last night. One of the members of the press asked him whether it was a fact that from December, 1960 to May, 1961 the records of the Bank of Canada indicated that only a reduction of half a point in the Canadian dollar premium had been achieved vis-à-vis the United States dollar, and that according to the records it appeared to involve, as I heard it come over the air last night, $100 million for a half point difference in premium. During the noon hour I ascertained that the figure used by Mr. Barkway last night was $120 million.

I referred to the fact that just before the house opened this morning I had received this week's issue of the *Financial Post*, and that it contained an article by Dr. D. B. Marsh, assistant general manager of the Royal bank. The heading of the article reads:

Keeping the dollar at fixed "parity" could be costly.

I had been told that this article would assert, as it does, that it was likely this operation would require $200 million per point just to keep the Canadian dollar at this predetermined so-called parity. The minister has not indicated to us that parity is his objective. He has used vague terms. In view of what is involved we should hear more from him. He indicated that a significant discount was his objective.

I have spoken at greater length than I usually choose to do. I had hoped that I could have some time to discuss the important matter of interest and debt management. I know that my good colleague from Welland will be heard from later in the debate with his shrewd observations in this field. I would have liked to say something about the industrial development bank. I may say to the minister I regard his announcement in this respect as significant also, and he is to be commended on his decision here. However, I think the suggestion in the budget speech that we are to have legislation during this session to amend this act indicates not too much foresight in the preparation of the work of the session. I do not think this was part of the program announced to us in the speech from the throne. I indicated earlier that prior to Christmas the opposition had given extreme co-operation and had disposed with rapidity and expedition of any items that the ministry had prepared and ready for the session that were directed toward creating jobs, not only during wintertime but jobs per se.

I raised this question last year in a similar debate. I said if the minister took the position that he never said that tight money and actual monetary policy belonged to the Bank of Canada, the decision to amend the industrial development bank legislation in this particular field could be taken by the government. It could have been done during the last session if the minister had the feeling with respect to high interest rates about which he now expresses some concern. It was not done during last session. There was no indication that the planning of the government in November had advanced to the point where they were prepared to do what was announced last Tuesday night. I said last year in the debate that at a time when the banks had been nudged by the minister to reduce the prime lending rate on commercial loans, it seemed unfortunate that the industrial development bank had not followed suit.

Prior to the budget speech the minister suggested to us during this session that he was in some way responsible and should get some credit for the fact that the prime lending rate of the commercial banks was recently reduced one quarter of a point. If it is so that the minister had a finger in that development, I say to him that at the time I raised the question why a similar development did not take place with respect to the industrial development bank. I think this, as well as the Central Mortgage and Housing Corporation interest rate, which is a matter of government decision, should be very much to the fore so far as the minister is concerned when he says he is doing all he can, I assume through all possible avenues, to reduce the general level of interest rates across the country.

Mr. Fleming (Eglinton): I take it that the hon. member is aware of the fact that the interest rate charged by the industrial development bank was reduced not long ago by half of 1 per cent.

Mr. Benidickson: What is the current rate?

Mr. Fleming (Eglinton): Six and a half per cent.

Mr. Benidickson: The minister says "not long ago". The newspaper clipping I have with respect to the matter is dated September 13, 1960. That is some time ago. According to my information that was the last cut in the interest rate. The level was reduced to 6½ per cent not recently but as long ago as September of 1960, certainly long before the minister claimed credit, as he did on two occasions during this session, for nudging the commercial banks to reduce their prime lending rate.

I had hoped that time would have permitted me to say something about the desirability of going beyond the productivity council and setting up the type of body that

has been discussed here from time to time and which has been developed in the United States under the Kennedy administration, namely a price-wage board. I also feel that the productivity council is not the entire answer to some of our needs at the present time with respect to imaginative programs to get the economy on its feet. I think we should have an economic research agency that would carry out greater co-ordination among the departments of government which in my opinion are inadequately co-ordinated today.

The minister will be more familiar than I am, of course, with certain new developments in connection with an international monetary organization going beyond what we have today. When the minister speaks again, as he usually does, I should like to hear something about Canada's attitude toward the plans for an Atlantic monetary organization. At least three plans have been presented to most countries in the western world, the last one by Professor Tiffin. I should like to know whether Canada has been approached with regard to this new idea, and to what extent it might be an advance while still not interfering with or superseding the international monetary fund.

I should have liked to deal with several other subjects, but in view of the fact that the exchange fund problem had in my opinion been inadequately explained I thought I would devote as much time to that subject as I have devoted today. We have a cash deficit of $1 billion which we know about, but heaven knows what more is involved. When one reads the fine print in the minister's statement with relation to foreign exchange control and when one reads that the minister himself last year had great apprehensions about this matter and referred to the possibility of gigantic gambles with the taxpayers' money, I think it is very surprising that in his long speech, in which he generated a great amount of wind on so many matters that did not seem to have too much significance, the minister could only spare one little breath with respect to possible financial liability in connection with the foreign exchange control problem and the gamble with the taxpayers' money that might be involved.

Trade is a matter to which I should like to refer, but I will not take the time to do so now. I know that others on this side of the house will deal with it. All I want to say on that subject at this time is that a week ago, prior to the budget, the minister promised an expansionist budget, but when one reads the details and the fine print one finds that in the field of trade the budget is restrictionist and not expansionist.

Finally I should like to move, seconded by the hon. member for Bonavista-Twillingate:

That all the words after the word "that" be deleted and the following substituted therefor:

"this house is of the opinion that the financial proposals of the government, as set forth in the budget presented to this house by the Minister of Finance and contrary to the advance publicity, are restrictive of trade and thoroughly inadequate to expand the production and jobs needed to ensure the growth of the economy, despite the burdens imposed by a fifth consecutive deficit of a record size;

And the house believes that for this reason, and because of the general mismanagement of the country's financial affairs, the government is not entitled to the confidence of the elected representatives of the people."

Mr. Erhart Regier (Burnaby-Coquitlam): Mr. Speaker, in the baby budget brought down last December we at long last had an admission on the part of the government of its failure to meet the national needs. In December the minister told us of his error in forecasting and informed us that he was going to have a whopping deficit. In the baby budget we also noticed a recognition on the part of the government that action was indeed needed. The economy had not received the big push forward that we had looked for and that was so badly needed. However, in the baby budget the government at least did give a little nudge to economic activity in our nation.

Now it is admitted that the failure of the government to take the radical measures that were necessary has cost us half a year of needless stagnation in our national economy. In addition it has imposed needless hardship on the millions of Canadians who are at exceptionally low levels of income, and especially it has caused needless hardship to the over 700,000 Canadians who were unemployed for so much of the past year, and many of whom are still unemployed. Then, too, Canadians had been led to believe that the government was at long last in favour of expansion; that it was even going to take measures to loosen up the money supply and drastically reduce interest rates. We also expected some large scale measures in the budget specifically designed to stimulate and enhance economic activity.

What did we get instead? There is not much in the budget, Mr. Speaker, about which I can complain. There is not much that is particularly bad. There is one thing that is bad about it, and that is what is not in the budget itself. The budget is lacking in any major measures designed to remove our economic ills. As a result of what is not in this budget, I can only come to the conclusion that the government admits it is unwilling or unable to take the measures that are necessary, and that the basic flaw is deeply imbedded in our economic system, our

system of economic anarchy which parades under the false front of free enterprise.

This advice that the minister gave to Canadians to work hard and pratice self-discipline is not going to be taken very kindly by the half million Canadians who would be very happy indeed if there were employment available and they were able to work hard. They are going to consider this as a bit of ill timed advice. The minister blames Europe for his great error last year when he predicted a 6 per cent increase in gross national production. It is amazing, Mr. Speaker, but every time there is something haywire in the minister's calculations or in his estimates he always manages to find somebody else to blame. I can recall a number of occasions when he put the blame for what was happening on the United States. Now he has turned to Europe, which is supposed to be responsible; or perhaps it is the governor of the Bank of Canada, who is now pictured as such a vicious ogre, a man who has plotted and schemed against the intentions of this government.

I do not think he can get off the hook as easily as that, by blaming the United States or Europe or the governor of the Bank of Canada. We cannot forget that the minister is the owner, on behalf of the people of Canada, of the Bank of Canada. The Canadian people are not going to take kindly to the government blaming one of the employees of the bank, even though he may be the governor, for the lack of action on the part of the government, even though this attempt is hidden under the smokescreen of a charge that the governor participated in increasing his retirement allowance.

On January 16 last our group moved an amendment to the baby budget. We made a number of recommendations in our amendment, but there were three specific recommendations having to do with monetary policy. I should like to put them on the record. Recommendation No. 1 was to lower interest rates; No. 2 was an expansion of the money supply commensurate with a full employment program; No. 3, assistance to export and domestic industries by taking those steps necessary to reduce the premium on the Canadian dollar.

At that time, and on other occasions, the minister heaped a lot of ridicule on our proposals in the field of monetary policy. He made many speeches both inside and outside of the house in which he told the Canadian people it was impossible to implement those recommendations. Now, at long last and rather belatedly, the minister has officially endorsed each of those three proposals. I should like to commend him for that. I only hope his endorsation of these proposals will result in very early action, because the nation needs the action that is contemplated in these particular proposals. At the end of my remarks today our group hope to offer additional proposals that we feel should be implemented. I hope this time the minister will not be as long in adopting the new proposals that we are going to make in our amendment.

I listened for some time to the usual complaints of the Liberal party. I regard their attitude as most irresponsible. We are here to attack, that is true, but we are here also to offer useful counterproposals to those of the government. I find very little in the whole of the Liberal complaint about the budget that could be classified as useful counterproposals. Even their amendment seems, in effect, only to call upon the government to resign in order, I assume, to make way for the resumption of the Liberal party in office. The Canadian people are not going to forget so easily the many long years of mismanagement by the Liberal party which led us into the economic mess in which we have been ever since. I believe that the utter failure of both the Liberal and Conservative parties to come forward with concrete measures designed to enhance economic activity in Canada indicates the bankruptcy of their basic political philosophy.

The minister predicted a deficit, on operations I take it, of some $650 million. If this were a deficit that was designed to do something to move the rate of economic activity to a higher level; if the deficit were designed to attain national objectives, we would heartily endorse the deficit. We have never been opposed to deficits that are deliberately planned to accomplish certain economic aims. However, this deficit with which we are now faced is only the result of poor housekeeping. It is a deficit on the normal operating account of the government.

I believe it is a horrible indictment of the ability of the government to adequately manage national affairs. If the government were to ask for a deficit designed to rid the country of unemployment, to give all people a minimum basic standard of living worthy of our nation's resources, then I would say that the people of Canada would heartily endorse the deficit. But the people of Canada are going to take a very dim view of a government that admits its inability to handle financial affairs.

This is a passive deficit, and I see no indication in the budget of the expansion that we had been led to believe would be forthcoming, especially in the light of the attack on the governor of the Bank of Canada. It is our contention that our economy is not going to improve all by itself; that

government action is necessary. It is also our conviction that our ills will not be remedied until the government subscribes to and implements the basic philosophy of a planned economy.

I should like to say that I regret very much the admission of the minister that for his lifetime in office he has avoided consultation with the governor of the Bank of Canada in the preparation of the budgets he has presented to this house.

Mr. Fleming (Eglinton): I did not say that.

Mr. Regier: I believe this is a serious oversight on the part of the government and may in large measure be responsible for the mess in which they now find themselves.

Mr. Fleming (Eglinton): I never said what you are attributing to me.

Mr. Martin (Essex East): Yes, you did.

Mr. Regier: The failure of the government to decide these matters in consultation with the governor of the Bank of Canada and to seek the advice of the man who ostensibly operates the Bank of Canada in the interests of the people of Canada is a serious matter. The minister complained that because of the intransigency of the governor he was unable to consult with him in the preparation of the budget.

Mr. Fleming (Eglinton): I did not say that.

Mr. Martin (Essex East): Certainly the minister said that.

Mr. Regier: I heard the minister say that the day before yesterday, and I believe the record of *Hansard* will show that very clearly indeed.

Mr. Martin (Essex East): Hear, hear.

Mr. Regier: The minister now predicts an increase in the gross national product—we can only assume he is doing so—of roughly 3 per cent. This is completely inadequate to meet the needs of our country. When you consider that the minister is going to depress the value of the Canadian dollar; when you consider the increase in our national population per annum, the minister is actually predicting a per capita decrease in the production of goods and services. This admission that things are not expected to improve indicates that the government seems quite content to live for another year with a level of business stagnation, as we now know it, of almost one million unemployed next winter; and there is an indication that the government intends to attempt to ride out the storm hoping that by some miracle conditions will right themselves.

I may say it is interesting to note, in regard to the increase in our gross national product, that there has not been enough growth ever since 1956 to match increases in our labour force and take care of those displaced in industry and agriculture because of technological changes. In constant dollars our gross national product has risen. In 1957 it rose by .1 per cent; in 1958 by 1.1 per cent; in 1959 by 3.2 per cent; in 1960 by only 2.1 per cent. That stands in sharp contrast with what happened in the years preceding 1957. In 1950 the rate of real growth was 6.9 per cent; in 1951 it was 6.2 per cent; in 1952 it was 8 per cent; in 1955 it was 8.6 per cent; in 1956 it was again 8.6 per cent. The per capita value of goods and services is today 5 per cent less than it was in 1956, and the minister is predicting that this very sad situation is going to continue at least until the end of the next fiscal year, namely March 31, 1962.

We have one of the highest rates of labour growth in the entire world. I believe only Japan has a labour growth rate in excess of ours. In the eight years 1950 to 1958—and these figures are taken from the United Nations world economic survey, 1959—we had an annual labour force growth of 2.2 per cent, whereas in the Netherlands it was only 1.2 per cent and in the United Kingdom it was only .9 per cent. When we have this rapid labour force growth action is essential on the part of the government to ensure that employment opportunities advance at a rate that is at least equal to the rate of growth of our labour force.

We had anticipated there would be some massive plans presented to the Canadian people at this time. Pump priming, as it has been commonly known, at this particular time in the field of production would be of little value. We need to take action to stimulate effective demand in Canada in order to assure ourselves of adequate opportunities of employment. The government is not undertaking measures that are designed in that direction.

I should like to ask the minister, since he now subscribes ostensibly to a policy of lower interest rates, how he plans to effectively reduce interest rates when he himself admits that we will have to find over $1 billion of additional money on the money market or by using the Bank of Canada. I believe the minister is contradicting himself when he blames the governor of the Bank of Canada for excessively high rates of interest when he, by his own activities, is going to be responsible for this terrific amount of new borrowing on the Canadian money market.

The whole role of the Bank of Canada, I am very happy to note, is likely to be reviewed by a royal commission, I believe the government has announced. I notice this

also had the hearty endorsation of the governor of the Bank of Canada, as I believe is also indicated by the report of the Senate committee on manpower. I should like to read what Mr. Coyne had to say about this matter. I read from Mr. Coyne's release to the press of June 15:

I also entirely agree with the committee's—

He is referring to the Senate committee:

—view that there is need for "a comprehensive study and re-examination of our machinery for monetary control and of its place in the formulation and the carrying out of economic policies". Such a study, whether by a royal commission or other suitable body, would of course have to include the entire banking system, and indeed all the public and private financial machinery in Canada, within the scope of its review and recommendations.

I believe the day is long overdue when the whole role of the Bank of Canada should be thoroughly reviewed and alterations made so that the Bank of Canada is not limited to one narrow aspect of the monetary field. It cannot effectively deal with our monetary needs if we have many investment houses and insurance companies which have far more power, far more authority or far more effectiveness than even the regular chartered banking system of our nation.

This situation did not obtain when the Bank of Canada was initially established. However, it is a situation that we must face up to today, and I believe we will come to the conclusion that whoever is responsible for the operations of the Bank of Canada will have to be given authority much wider and much more extensive in the field of monetary policy than has been the case hitherto.

The government is recommending exemptions for explorations under the Income Tax Act for certain industries in Canada. I find this a little difficult to appreciate when we have in existence unused known resources, unused capital goods, machinery operating at half capacity and in many cases less than that. I feel that when existing known resources are not being fully utilized it is a poor time for the government to be making these extraordinary concessions to encourage additional exploration. There have been warnings issued in the past about this reckless capital expansion, this reckless expansion in our productive capacity. Such men as the heads of the pulp and paper industries of Canada have openly admitted that they have been guilty of overexpansion in the immediate post-war years and that today they are having to operate under a handicap in consequence because they are very badly overcapitalized. I believe the oil industry is another perfect example. We now have to pay capitalization costs on oil wells which are not likely to be used in my lifetime; they will be used, maybe, by my sons or grandsons.

[Mr. Regier.]

However, the present economic system has to bear the cost of maintaining this reckless expansion which has taken place in years not long gone by at a period when our nation lacked the resources necessary to expand in the essential fields of education, hospitalization, roads, highways and the like.

We agree that the government needs an adequate level of income. We have never argued that our proposals can be implemented without our having to pay for them. We do believe that the government can enhance its income most easily by pursuing a policy of full employment. This would make it easier for all levels of government to meet their responsibilities. We believe this is the easiest way by which government revenues could be enhanced to the point where there would, at least, no longer be any need to ask parliament to approve a deficit budget in order that ordinary housekeeping expenditures might be met. We would recommend some reductions in taxation, but also some new taxes and some increases in the field of taxation with the net result that, assisted by a full employment policy, all levels of government would be able to discharge their responsibilities.

I should like at this time to call on the government to take action to protect the consumers of Canada. I believe the consumer is becoming increasingly aware of his identity as a consumer, and that he is becoming more and more restless because of the unwillingness of the government to take action to protect his interests. I make particular reference to the utter failure of the Combines Investigation Act to fulfil its assigned responsibility. It has been ineffective in preventing ruthless exploitation of the Canadian consumer. With the permission of the house I should like to put into the record a table submitted by the Minister of Justice on February 8, 1960 in reply to a question asked by the hon. member for Skeena, because I do believe that the readers of *Hansard* would be most interested in noting how great a variety of consumer goods has been dealt with by the officers of the combines investigation branch, including some of the most essential articles in our daily life such as bread, matches, roofing, wire and cable. I believe it would be in the public interest for the public to see that what the Prime Minister recommended when he was in opposition is most urgent at this time, namely that we put some teeth into our Combines Investigation Act. Merely to levy nominal fines on offending companies is obviously not having the desired effect. Despite all the hard and conscientious work of the civil servants who have the responsibility for

making the act as effective as they can, it is obvious that much stronger measures will be necessary.

I should like to cite just one example. A number of years ago the oil companies in the lower mainland of British Columbia were found guilty of price fixing. Nominal fines were imposed. I believe the companies may even have had the decision reversed later on in a higher court. However, by deliberate design they now have invented a new kind of agreement with the dealers, the retail agents of gasoline and oil, which completely flouts the intent of the Combines Investigation Act. I had discussions with one of the oil companies, and the officials were prepared to admit that they were circumventing the intent of law even though, perhaps, they were remaining within the letter of the law.

I have with me certain details in connection with this matter. I have invoices which indicate that a dealer who signs an agreement on the dotted line and agrees to be their slave or serf is allowed a margin of 7 cents a gallon on the gasoline he sells. However, if he insists on his independence he is allowed a margin of only 3.6 cents a gallon. This was a few weeks ago, and I understand the figure has since been reduced to 2.6 cents a gallon. I do not blame the operators of the retail outlets. They are doing their best under very difficult circumstances. They have to survive on very narrow margins. We had the University of British Columbia make a survey of all the service stations in the municipality of Burnaby, and this commission found that the net earnings of all the operators of all the service stations in Burnaby in one year amounted to less than 80 cents an hour. It is a disgrace when so-called independent businessmen earn a net income of no more than 80 cents an hour.

I understand that one company, and I have a record of it here, is engaged in a dispute. It is not before the courts yet so I can speak of it, but it may come before the courts. This company is attempting to cancel its mortgage agreement with the oil company. It is offering to pay every nickel it owes, but the oil company is not accepting the offered payment. I believe we ought to take legislative action so that if a man owes some money and is prepared to repay what he owes, he may have the right by law to get off the hook and get out from under his obligations.

This particular retail company has been warned that if it cancels the agreement, either legally or otherwise, the oil company may undertake a claim for damages against it and might be prepared to sue for loss of business amounting to as much as 10 cents a gallon for each of the next five years, running in this case to some $60,000. I would dare a Canadian oil company which allows a margin of only 2.6 cents a gallon to publicly sue any operator for a loss of business at the rate of 10 cents a gallon. I think if they did that the people of Canada would once and for all be able to see that it is not the retail operators but the monopoly cartel of our oil companies who are responsible for the racketeering and the needless exploitation that goes on.

Let no one say there is no monoply. Imperial Oil, either alone or through its subsidiary companies, owns oil wells in Alberta, pipe lines that take the oil to Edmonton, the gathering system, the Trans-Mountain Oil Pipe Lines, and their own oil refinery outside Vancouver. They deliver in their own trucks and own their own retail outlets. Then, as I have indicated, the man actually doing the work in rain and sleet earns less than 80 cents an hour. If this is allowed to continue it will not be long before the big companies dictate whom he is to marry, when he may marry and so on. I call on the government either to amend the Combines Investigation Act or to bring in other legislation to ensure that the consumer of Canada is not going to be a forgotten man, and that the hard working businessman who wants to be independent is not exploited as he is at the present time.

I indicated earlier that at the end of my remarks I intended to move an amendment in which would be contained some specific recommendation. These recommendations may appear very expensive to the public treasury; however, I should like to point out that in our opinion these recommendations will enhance effective demand for consumer goods in Canada and will thereby be responsible for getting the wheels of industries going again in order to supply the need for consumer goods. The government, incidentally, will find its revenues enhanced as a result.

I should also like to point out that many of these payments we propose return by way of taxes, and in other ways. All levels of government added together take about one third of what the average Canadian earns. Therefore to increase the average Canadian income is not necessarily a net expense on the part of the different levels of government.

I should like to move, Mr. Speaker, seconded by the hon. member for Peterborough:

That the amendment be further amended by deleting therefrom all the words after the word "size" and adding thereto the following paragraph:

And this house regrets that adequate consideration has not been given and the government has failed to undertake social and economic planning necessary to stimulate the economy, provide full employment, and give an adequate level of social security by such specific measures as:

1. Raising basic exemptions under the Income Tax Act.

2. Increasing old age security and assistance payments.

3. Increasing family allowances to restore the value of their original purchasing power.

4. Establishing a national security plan, by arrangement with the provinces which will include a portable pension plan available to all residents in Canada.

Perhaps I might interject here to point out that what the minister has proposed in his budget in regard to portable pension plans does not represent the kind of portable pension plan that we have been advocating, because what he proposes will still leave without any pension plans at all, many millions of Canadians who are now without adequate pension plans.

The amendment to the amendment continues:

5. Increasing the investment in the public sector in order to increase and sustain a high rate of economic growth by providing highly essential public goods and services such as health services, including hospitals and other medical and dental facilities necessary for a comprehensive health program, low cost housing, assistance to municipalities for urban development and renewal, highways and conservation.

Mr. Speaker: Does any hon. member desire to comment on the regularity of proposing this amendment before it is put before the house?

Mr. Richard A. Bell (Parliamentary Secretary to the Minister of Finance): Mr. Speaker, I submit that there may be some doubt as to the regularity of the amendment, and suggest that Your Honour might like to take it under consideration before putting it to the house. I should think if the amendment simply read "This house regrets that adequate consideration has not been given to—" and then went on to enumerate the various items, it would probably be in order. The fact that it goes on to say "—and the government has failed to undertake social and economic planning necessary to stimulate the economy—" would appear to give a direction to the government in relation to the items enumerated, and if it does such it would, in my respectful submission, be out of order.

I have only had a very brief opportunity, as Your Honour realizes, to examine this proposed amendment to the amendment, and I suggest Your Honour perhaps should reserve the issue in order to have the opportunity of examining it before it is put to the house.

Mr. Regier: Mr. Speaker, perhaps I could be allowed to say a word or two in respect to the point of order raised by the parliamentary secretary to the Minister of Finance. I should like to call Your Honour's attention to the fact that the motion reads:

This house regrets that adequate consideration has not been given and the government has failed—

I do not believe that can be interpreted as a directive to the government, but is an expression of the opinion that this house feels the government has not taken this action.

Hon. Paul Martin (Essex East): Mr. Speaker, I should just like to speak briefly to the point of order. There would, of course, be no objection to Your Honour reserving your decision without prejudice. However, I do not agree with the view taken by the parliamentary secretary. I am not now commenting on the merits of the resolution one way or another but one must support the suggestion that we should give full consideration—although I have no hesitation in saying that the increases in old age security benefits—

Mr. Fleming (Eglinton): Order.

Mr. Martin (Essex East): —and family allowances are not being opposed by anything I say. Likewise, with regard to the question of portable pensions, we are in full support of the merits of those increases. What we are discussing is the—

Mr. Fleming (Eglinton): Order.

Mr. Speaker: Order. The hon. member should not debate the matter. He can easily reserve his comments in respect of any of these points in discussing the point of order.

Mr. Martin (Essex East): Mr. Speaker, the Minister of Finance is overly sensitive these days and I will overlook his interruption on that account, and because he is overly preocupied.

Mr. Fleming (Eglinton): And you are overly sly.

Mr. Martin (Essex East): This motion simply asks the house to note with regret that consideration has not been given to these matters, the mere mention of which arouses the hon. gentleman. The motion goes on to say not that action should be taken but simply that the house regrets that the government has failed to increase old age pensions, family allowances and the like.

On the point of order, there would not seem to be much reason for the objection taken by the parliamentary secretary. If Your Honour feels that you wish to reserve your ruling, I do not think there will be any objection.

Mr. Speaker: I should like to take advantage of the opportunity of considering the amendment as the debate proceeds and to deal with it a little later. It is a comprehensive document including a great variety of specific items. I can say initially that I do not think the parliamentary secretary has

persuaded me that the passage of this amendment would in any way commit the government, because it is only an expression of regret and a condemnation for failure rather than an instruction which would be binding. However, as I said, I should like to reserve judgment and allow the debate to proceed.

Mr. Regier: Mr. Speaker, we in this group are happy with your decision to reserve your ruling, but I should hope that in conjunction with your reservation our right of consultation with Mr. Speaker, in order to possibly make some minor amendments, will be maintained.

Mr. Speaker: I would not like to give that assurance. If I find anything to complain about in the amendment I will give the hon. member an opportunity to be heard further on the point of order.

Mr. Richard A. Bell (Parliamentary Secretary to the Minister of Finance): Mr. Speaker, in their speeches today the two official financial critics opposite have run true to form. Caustic personal comment and tart personal jibes have been substituted for objective argument and constructive consistent reasoned discussion of fiscal and monetary policies. I would say to the house that seldom has it been treated to so much confused and disordered economic reasoning. In the 30 minutes to which I am confined I cannot hope to follow the hon. member for Kenora-Rainy River down all the blind alleys, down all the tortuous by-paths of reasoning which he traversed today; but as I go along I will deal with his principal strictures, his special pleadings and, if I may say, his hair-splitting inconsistencies.

With respect to the hon. gentleman, I must say that several times in his speech his reasoning reminded me of a man who had painted himself into a corner. I say to him as well that I have never heard such a vague, hollow, lame, disjointed criticism of any budget, and that its vagueness was equalled only by its emptiness. What to me, sir, was the most extraordinary, the most incredibly fascinating fact of his whole speech was his total failure even once to mention the name "Coyne", at least that word spelled with a "y"; and further his total failure to mention really the role of monetary policy. After the uproar created in this chamber and in a certain committee of this house by an attempt of the Liberal party to get into bed with Mr. Coyne, well, the extraordinary divorce professed today passeth completely any understanding. I say to you, what a revelation of the utter bankruptcy of Liberal policy and tactics, the utter bankruptcy of the tactics which they have pursued in this chamber over the past 10 days.

How was it possible, sir, how was it conceivable, that the dissociation with Mr. Coyne could be so quickly achieved? Well, in fact it has not been or never could any party be deflated so rapidly. I wonder what Mr. Coyne will think of his erstwhile allies?

Let me say just a word on the Liberal amendment. Perhaps I should deal with the earlier parts of it. They are a collection of meaningless words and I would say a sophistical sham. Who in the house would have any question about the author of it. The house will know that the voice was the voice of Kenora-Rainy River's Jacob but the hand certainly was the hand of Bonavista's Esau.

Mr. Benidickson: The hon. member is just as wrong now as he was before.

Mr. Bell (Carleton): What an amendment. Let me read the end of it:

> The government is not entitled to the confidence of the elected representatives of the people.

Well, sir, we on this side of the house will take up that challenge at any time. We are prepared to divide now or at any time. We are prepared to demonstrate now the full and unlimited confidence of those of us who sit on this side of the house in the policies of the right hon. Prime Minister and in the budget which was presented by the Minister of Finance on Tuesday night. I go further, sir, and I say that in due course the people of this country will uphold the policies which are enunciated in that budget.

Hon. gentlemen opposite suddenly in the last short while have changed their tactics. Hon. gentlemen were quiet on the first day of June in this house. Why? Because of what happened on May 31: 3 to 1 was the score in the by-elections. Yes, sir, and the score will be equivalent when the time comes in due course, whether it be in the year 1961, the year 1962 or 1963 to submit the record of this government to the people, a record of which all of us on this side of the house are especially proud.

Mr. Benidickson: You are not ready?

Mr. Bell (Carleton): In view of the fact that the C.C.F. amendment, which deals with everything except the kitchen sink, has been reserved I shall offer no comment in respect of it at the present time.

The Minister of Finance described this budget as not an ordinary one, but in more than usual measure an economic budget, and such, sir, it is. Its central design is the re-establishment of an effective partnership among fiscal, monetary and commercial policies. Only on that firm footing, on that partnership, can there be built what the Minister of Finance described as a comprehensive, sound and responsible economic

program designed to raise the levels of employment and production in Canada.

The hon. gentleman from Kenora-Rainy River endeavoured this morning and last Tuesday night with, I thought, very little success to cast scorn on the statement that the government's policies are expansionist. Well, sir, if this budget with its proposals in respect of exchange rates, interest rates, debt management, tax changes and economic and fiscal policy generally, is not expansionist, then, sir, I do not know the meaning of the word "expansion".

Mr. Martin (Essex East): That is right.

Mr. Bell (Carleton): At the outset of my remarks I should like to deal first with the general economic philosophy of the budget and with the basic principles and economic reasoning upon which it is based. I should like to point out to the house that at no time during his very lengthy speech did the hon. member for Kenora-Rainy River meet the theme of the budget head on. There were times when I thought he was about to do so. Each time that I thought he was about to meet those issues and state where he stood himself with regard to them what did he do? He deflected; he went down another of his blind alleys.

Mr. Benidickson: Not to mention the unprecedented deficit.

Mr. Bell (Carleton): Oh, I will come to the deficit and I will say something about what my hon. friend and some of his colleagues have to say about deficit financing.

At the outset, sir, I want to repudiate utterly the suggestion of the hon. member for Kenora-Rainy River that this budget in some way constitutes a reversal in policy; that it represents in a sense some change of heart on the part of the government; that it is in some unexplained and inexplicable way inconsistent with policies heretofore followed.

The other night the hon. member for Kenora-Rainy River used the expression "flip-flop" and he appeared to savour it. I notice he did not repeat it today. Well, sir, his speech was certainly flipped and it left the house under no illusions as to where the flop was.

What this budget does represent is a fulfilment of policies consistently upheld and promoted by this government. Especially is it in full consonance with and a logical progression from the budget of March 31, 1960 and the supplementary budget of December 20, 1960. The only theme—

Mr. Benidickson: On exchanges rates?

Mr. Bell (Carleton): I will come to what my hon. friend had to say on that. The only theme that I could detect in the speeches of the two hon. gentlemen opposite appeared to be just this. If these proposals are good now, why were they not advanced in their present form a year ago, or two years ago? I suppose a criticism of that sort, if such it be, could be applied to any budget, could be applied to any legislation which might at any time be introduced in the house. I submit that in this instance the answer is very simple and straightforward. In a system of flexible budgeting, the timing of proposals is vitally important. What may be an appropriate budget proposal at one period in our economic cycle may well be inappropriate, even dangerous, at another. For example, what today may be an appropriate and highly desirable influence upon our exchange rate might well have had deleterious effects a year ago, or even six months ago.

We must adjust quickly to changed and changing circumstances maintaining, however, the same basic policies. What seemed to be the most appropriate influence upon the exchange rate in December was the increase in the withholding tax and the imposition of the tax on branches. At that time I heard economists of some distinction suggest that this action might well result in the Canadian dollar nosediving. But the moderate and the worth-while effect which it had is now well known to the house and to the country. The withdrawal of the special incentives to capital inflow has already proved its efficacy. But had the withholding tax then been coupled with an announcement of an intention to use the exchange fund to help place the Canadian dollar at a discount, the result might well have been a run on the dollar with detrimental effects upon our productive capacity and in the then existing circumstances perhaps an inflationary impact.

In today's economic climate the use of the exchange fund, I submit to the house, is quite different. It is a logical and orderly progression from the principles of the December supplementary budget which themselves have met the validating test of time and experience.

Mr. Martin (Essex East): Except for double depreciation.

Mr. Bell (Carleton): Oh, my hon. friend will see what double depreciation is and if I have time I will deal specifically with that and with the other depreciation measures. When I finish dealing with it he will not be as voluble as he sometimes is in the house. In view of all the effort the hon. member has put forward in the last ten days and the failure of the hon. member for Kenora-Rainy River even to mention my hon. friend's friend,

Mr. Coyne, the hon. member for Essex East certainly is doubly depreciated today.

Mr. Martin (Essex East): The debate is just beginning.

Mr. Benidickson: Six days to go.

Mr. Bell (Carleton): What the budget seeks to do through the incurring of a substantial deficit, through direct and indirect influence on interest rates, through the achievement of a closer balance of international payments, through the reduction of our exchange rate thereby increasing exports and reducing imports, is to provide very genuine economic incentives of a powerful and, indeed, of a massive character. It is designed to increase our productive capacity, to increase opportunities for employment and to raise the levels of Canadian savings and investment.

As a genuinely Canadian budget, this budget is wholly consistent with and, as I have said, a logical and orderly progression from earlier budgets. I want to emphasize that in pursuing the objectives of Canadian expansion the government, in the field of commercial policy, has never lost sight of our dependence upon our external trade and its policies have been moderate and responsible.

The extension of the activities of the industrial development bank is a most important feature of the budget. One must couple these proposals with the Small Businesses Loans Act enacted earlier this session and with the expansion of the Farm Improvement Loans Act and other measures which have been taken by the government. Hereafter, all business enterprises in Canada will be eligible for industrial development bank loans. My hope and expectation are that this will lead to greater employment, to a broadening of the base of our secondary industry and to the achievement of a more flexible economy generally.

While assuredly not wishing to see the industrial development bank intrude into the field of other lending institutions, my hope would be that under the new legislation, the new president of the bank and its directors and officers would pursue, in the medium and long term fields, more expansive policies than have been pursued in the past. From many hon. members on both sides of the house I have received complaints about the attitude of the bank under its president, Mr. Coyne, and its alleged rigidity and inflexibility. I say simply that the policy of the industrial development bank in my view ought to be service with courtesy. I shall personally be very greatly disappointed if under the new legislation and with a new president this goal is not achieved.

Vital as these matters which I have mentioned dealing with the industrial development bank may be, they do not in my view equal in significance the proposals of the budget with respect to interest rates. I see no particular point in engaging in exchanges, such as the hon. member for Kenora-Rainy River suggested about such matters as tight money, or any recriminations in relation to the past. But there is no doubt that in 1956 and 1957 a relative scarcity of credit had as its consequence very high interest rates. The restrictive policies of the Bank of Canada under Mr. Coyne's leadership, and to the intense annoyance of the then minister of finance, Mr. Harris, and the equally intense annoyance of the hon. member for Kenora-Rainy River, his parliamentary assistant, forced interest rates higher.

The advent of this government resulted in an easing of credit and until the late summer of 1959 interest rates were at a reasonable level in this country. In that summer an almost unparalleled demand for credit, one in which demand well outran supply, put tremendous pressure on the interest structure. So great was the pressure that at one stage the Minister of Finance (Mr. Fleming) had to reject tenders for treasury bills. Let no one believe that was an easy decision. It was a crucial decision fraught with grave risks, but it was the right one and proved to be the turning point.

Already the Minister of Finance has achieved some success in his discussions with the financial community. The reduction of one quarter of 1 per cent in the prime chartered bank rate is evidence of that fact. With the changed atmosphere because of the impending departure of Mr. Coyne, I am satisfied that the further consultations announced in the budget will lead ultimately to a readjustment in our interest structure, thereby giving a tremendous and immediate incentive to business expansion and employment as well as placing a drag upon capital inflow for non-productive purposes. In his last report the governor of the Bank of Canada in effect rejected out of hand any responsibility of the Bank of Canada for interest rates. That view, sir, I repudiate. The Bank of Canada has a vital role to play, in my submission, in easing or restricting credit and the price of credit. In my view unwise policies of a restrictive nature pursued by the present governor have had a deleterious effect on expansion and thereby on employment in Canada.

All of this emphasizes to me the vital necessity, the absolute essentiality of the integration and co-ordination of fiscal, financial, monetary and commercial policies. The achievement of the objectives of this budget

could be possible only with that co-ordination. In clear and explicit terms at the end of his budget speech, the Minister of Finance showed how impossible such co-ordination had become with the Bank of Canada under Mr. Coyne's leadership. In recent months Mr. Coyne's theme song has been that monetary policy, for which he was responsible, was powerless but that fiscal and commercial policy, for which the Minister of Finance and the government were responsible, were all-powerful. Extreme succeeded extreme until in lonely majesty in his counting house on the south side of Wellington street the governor divorced himself from the government, from all major financial institutions in Canada which both publicly and privately were denouncing his policies, and, indeed, from his own directors, and, tragically also, from many of his own advisers.

Under a new and responsible governor there may now be a co-ordination of activity in all related fields and the resumption of interrupted progress. When parliament tells this unwise governor, "Begone", I have no doubt that our economy will respond to his removal from authority.

Now, sir, I want to deal with what the hon. member for Kenora-Rainy River had to say in connection with forecasting and the deficit, for it has become a favourite topic of the hon. member to dilate, with his rather considerable gift for sarcasm, upon alleged divergences between forecasts and performances.

I want to say first that if there is a divergence between forecast and actuality in the gross national product, then he seems to take a gloating satisfaction out of the slowdown in our economy. What the hon. gentleman does not realize or certainly does not state is that such a margin of error, if it may be described as such, is less considerable in Canada than has been true in most western countries, and equally true is much less considerable than during the time the hon. gentleman was parliamentary assistant to the minister of finance. What amuses me, sir, is that the hon. gentleman from Kenora-Rainy River reserved some of his most violent and unwarranted criticism for the amount of the deficit and for the consequent increase in the total net debt. This is the official criticism of a party which, down through the years purported to believe in what they described as cyclical budgeting. O, consistency, thou art a jewel.

Suppose parliament had adopted the tax cuts which were so strenuously advocated by the Leader of the Opposition (Mr. Pearson) during the election campaign in 1958 in his something for everyone, but now forgotten, Pearson plan; policies be it noted which have never been resurrected in this chamber. What then would have been the deficit?

Mr. Benidickson: President Kennedy had just this in mind.

Mr. Bell (Carleton): Does the hon. gentleman say that President Kennedy had this in mind? That is perhaps the most outrageous statement my voluble friend has ever made in the house. Suppose we had taken over a policy of tax cuts and increased expenditures which were forced down the throats of responsible Liberals by the triumvirate of Gordon, Sharpe and Drury at the so called Liberal rally here in Ottawa in January? What then would have been the deficit? Let hon. gentlemen tally that up. I say to them if you had put in full those measures—

Mr. Martin (Essex East): Are you asking us?

Mr. Bell (Carleton): The hon. gentleman will have ample opportunity to make a speech.

Mr. Martin (Essex East): If you are asking us, then I shall deal with it.

Mr. Bell (Carleton): The hon. gentleman is on his feet so often in this chamber, and I only want to say to the hon. gentleman—

Mr. Martin (Essex East): You asked me a question and then you do not want me to answer.

Mr. Bell (Carleton): —every time he rises with the pomposity of a mid-Victorian duchess he proves that his volubility is equalled only by his unwisdom.

Mr. Martin (Essex East): Why did the hon. gentleman ask a question?

Mr. Bell (Carleton): The hon. gentleman will have his opportunity to make a 30 minute speech on another occasion.

I say that the situation would have been that the deficit would have been at least $2 billion. My hon. friend from Kenora-Rainy River who, in my opinion at least exceeds this tiresome trio in genuine knowledge of public finance, although they seek now to replace him as the heir presumptive, endeavours to exploit for political purposes the amount of the deficit. Now, he cannot have it both ways. He cannot blow hot and cold in this particular way. He cannot become indignant and sarcastic about the existing deficit and at the same time join with his colleagues in the advocacy of policies that would triple or quadruple the deficit.

Certainly, we have had a deficit. It is the result of two things. First, it is the result of the greatest increase in services to our people of any equivalent period in Canadian history.

Let the Leader of the Opposition when he speaks in this debate tell this house which of these services he would reject or discard. That is not what he will advocate; he will say he seeks to further expand them with predictable results in deficit financing.

Second, sir, the deficit is the result of flexible budgeting designed to meet existing economic circumstances. In times of economic slowdown the federal government, by incurring a sizeable deficit, can help to stimulate the economy. I had thought that hon. gentlemen opposite gave at least lip service to this theory. However, one would not know it this morning by listening to the hon. gentleman from Kenora-Rainy River.

One of his party's brain trusts has stated it very explicitly. I refer to a speech made by Mr. Tom Kent, former editor of that great organ of outdated Liberalism, the Winnipeg *Free Press*, as reported in the *Globe and Mail* of April 22, 1961. What did Mr. Kent say? I quote:

—if our economy isn't growing properly, budget deficits are sound economics.

Contrast that statement from the Liberal braintrust with what the hon. gentleman from Kenora-Rainy River said today. Then Mr. Kent went on to say this:

They are a necessary stimulus. We should not be afraid of extra public debt. In a free economy, you can't have economic growth without extra debt.

Now, sir, for myself I would adopt the first sentence without qualification, although I might put some qualifications upon the second. Mr. Kent went on:

That's the simple fact which is always ignored by the illogical people—

I do not know whether or not he was referring to my hon. friend from Kenora-Rainy River when he said, "by illogical people".

—who claim to be the champions of our free enterprise system, who talk about the virtues of saving and yet who are so terribly nervous about debt.

In my view, what is important is not the deficit or its size. What is important is whether the policies of the budget will lead to a balanced budget and ultimately to a policy of orderly debt retirement when we re-enter the period of high employment of our labour and resources and a renewed period of progressive and rapid growth. This is what I believe the budget gives expectation and confidence of achieving.

There are two further factors, sir. If you relate the amount of the deficit for the last fiscal year or the amount of the prospective deficit to our revenues or our expenditures, you will see that there have been many times in our history under both Liberal and Conservative governments when the then deficit represented a much higher percentage. On previous occasions in this chamber I have put on the record the statistics of the Fielding and Dunning budgets. I shall not repeat them, but I would refer hon. gentlemen to *Hansard* of this year at page 1079.

The second factor is that of our ability to pay our net debt. In certain by-election campaigns last month, by-election campaigns which certainly did not proceed to the satisfaction of hon. gentlemen opposite, obviously an advertisement regarding the increase in our debt must have boomeranged upon hon. gentlemen on the other side. Their excessive cleverness did not take into account the sober common sense of our people who realize that our ability to pay has risen very markedly. Our net per capita debt, sir, and that surely is the only realistic test, as of March 31 was about $150 below that of 1950 and about in balance with that of 1956.

As I have already pointed out, this has occurred during a period of unprecedented expansion of the public services provided to the people of this country. This is the record of this government. Let hon. gentlemen opposite try to deny it. Even my genial and very good friend from Welland who dilates so often on this subject, should now give credit for the high quality of debt management which has existed under this government.

Perhaps less attention than is warranted has been directed to the significant debt management proposals in this budget. The establishment of a purchase fund initially of $100 million will have an immediate and salutary effect upon our financial market, and an ultimate significant approach to orderly debt retirement. The removal of the overhang of medium and long term bonds in the unemployment insurance portfolio will end that threat to the stability of the long term market. The decision to confine new federal issues, for the next several months at least, to the short end of the market will be of direct and immediate benefit to the provinces, to the municipalities and to the corporate borrowers.

Taken together, sir, these decisions must assert a vigorous pressure upon the level of interest rates and upon the exchange rate. This was their basic purpose. It has now become popular for hon. gentlemen opposite to attribute many of the ills of our economy to the conversion loan. I have no doubt that when he arises, my hon. friend for Welland will again devote most of this speech to a distortion of this subject.

Sir, I want to repudiate those allegations completely. When the economic history of the last decade is recorded, I believe it will be established that the gigantic conversion

loan of 1958 was one of the most farsighted acts of financial statesmanship ever undertaken.

There are many policies in this budget with which I could deal. I have described only some of the essential features. There is the proposal with respect to special depreciation until March 31, 1963. There are proposals with respect to increased incentives for research; proposals with respect to portable pensions. Yes, these are some of the things that in the long run will have a most significant impact upon our whole economy.

There was the decision to go ahead with the proposals which were introduced last year for tax deferment in respect of profit sharing schemes; the repeal of the tax on automobiles. Oh, Mr. Speaker, I have been amused, really, by my hon. friend from Essex East, the hon. gentleman who has attempted to pose as the putative father of the removal of the excise tax on automobiles.

Mr. Martin (Essex East): If it had not been for our persistent interrogation we would still have that tax.

Mr. Bell (Carleton): The honourable and train catching member for Essex East was a member of the previous government for a period of about 15 years. He was strangely silent during the whole of that period while Mr. Ilsley, Mr. Abbott and Mr. Harris maintained this tax.

Mr. Martin (Essex East): We cut it from 25 per cent to 15 per cent.

Mr. Bell (Carleton): The hon. gentleman did not question the tax when he was a member of the government. It was the hon. gentleman's transfer to your left, Mr. Speaker, which converted him to his advocacy of tax reduction, and I say that his attempt to take credit now is both ridiculous and laughable.

Mr. Speaker, I see that my 30 minutes have expired. I only say to the house, this is a good budget; it is a sound budget; it is a realistic budget. It deserves the support of the house and the country and we on this side of the house are ready at any time to meet the challenge of the opposition amendment.

Mr. Martin (Essex East): A most incredible speech. A great public career destroyed.

Hon. Paul Hellyer (Trinity): Mr. Speaker, we have just listened to a very loud but not very enlightening speech from the parliamentary secretary to the Minister of Finance.

Mr. Ricard: You have heard nothing yet.

Mr. Hellyer: The parliamentary secretary has criticized in rambunctious terms the excellent contribution which has been made by speakers on this side of the house. If he would examine the budget more closely and with less partisanship he would learn that it is a budget of rationalization of failure.

Mr. Fleming (Eglinton): This is non-partisan, is it?

Mr. Hellyer: The parliamentary secretary complained that we were not accurate when we said it involved a reversal in policy. He said it was not a flip-flop budget. We stand corrected, because the government had no policy then; it has no policy now. The hon. member for Carleton is quite right; when no policy exists, a reversal is impossible. As he said, "consistency, thou art a jewel". The trouble started way back in 1957 when the hon. gentlemen opposite—

An hon. Member: It certainly did.

Mr. Hellyer: —even before the election of 1957 were speculating with figures which they were not able to comprehend. They went about this country saying there was a surplus for 1957-58 of $500 million. One of these hon. members, the Minister of Public Works (Mr. Walker), in a television broadcast in Toronto increased the sum to $600 million. Well, if they had listened to Mr. Harris' budget that year they would have known that after his budget proposals had been carried into effect the budgetary surplus in the coming year was half that amount; that an increase which was due the civil servants of this country and the armed forces of this country had yet to be paid out of that budgetary surplus, and that the national health insurance program which had just been enacted had yet to be paid for.

An hon. Member: Don't forget the $6 old age pension.

Mr. Hellyer: It was this grandiose ignorance of economic facts which got the government off to an improper start even before the election of 1957. Before the election, too, the government had been talking about the effect of high interest rates, the effect of the government's policy of that day, and saying that the time had come to expand, to relax, to let up; and yet what did the new government do after it came into office in June of that year?

The very first act of the government was to cancel many of the projects which were already on the books for that summer. They cancelled the CF-100 Mark VI which was to have been built to replace the rapidly obsolescent CF-100 Mark V. They cancelled runway extensions, hangars and other projects scheduled for that summer. At that time they immediately put into effect a restrictionist policy. This was in the summer of 1957, notwithstanding the fact that the same hon. gentlemen, when they were on this side of

the house, had said the time had come to start opening up. Then months later, in the spring of 1958, they were feigning surprise at a report which said that in the opinion of a department of government the time had come to ease up.

Mr. Speaker, it was not a convincing performance. It is true that late that year, in November, they did reinstate some of the projects which had been cancelled in the summertime; but by then it was too late, the snowball had started. Since then most decisions of this government have been decisions of financial crisis.

My hon. friend mentioned the reconversion loan. This was the biggest financial crisis decision of them all. The Minister of Finance touted it as the biggest and most successful financial operation in the history of Canada. I have said publicly many times, and I say again today, it was the biggest and most successful financial swindle in the history of this country. It will cost the taxpayers of this country hundreds of millions of dollars directly and indirectly over the balance of their lives.

Mr. Martin (Essex East): One hundred million dollars a year.

Mr. Hellyer: The government has criticized the Bank of Canada for failing to facilitate its policies. If anything, I had the impression in 1958 that by facilitating the reconversion loan and by increasing the money supply more than 10 per cent in one single year, when the physical output of this country was not increasing, the Bank of Canada prostituted its responsibility in respect to its obligation to the Canadian people.

Mr. Benidickson: To accommodate the minister.

Mr. Hellyer: This government has been in trouble ever since. There have been more and more crisis decisions based on financial mismanagement. One that is recalled to mind is the cancellation of the Avro Arrow. This was not a military decision. It was obvious from what the Prime Minister (Mr. Diefenbaker) said in this house last week, when announcing that the government had ordered some United States airplanes to fulfil the function for which the Avro Arrow was designed, that it was a financial crisis decision.

Even then the government could not see past its nose. In its desperation to cut back its expenditures in the short run it contributed to a contractionist policy again. The cancellation of the Avro Arrow in February, 1959 put more Canadians out of work than will be put back to work by this budget. And that is not to mention the smashing of a great industrial design team which had been built up over a decade.

Mr. Pugh: What did C. D. Howe think?

Mr. Hellyer: The present budget is a result of four years unprecedented financial mismanagement. This government has never sought to take the responsibility for its actions. In its early budgets it blamed the Liberals, its predecessors, for the legacy they left. It was the legacy, Mr. Speaker, of a surplus and full employment. Then the government sought to blame the United States and external factors far out of proportion to the influence they exert on the Canadian economy. More recently the government has blamed the economic recovery of Europe. Now, finally, as the last stroke, they have sought to blame the governor of the Bank of Canada for their troubles.

This government has never been willing to accept its responsibility for financial matters, with one possible exception. When interest rates came down for a brief period in the summer of 1958, then it was the government which brought the interest rates down; then it was the government which was responsible. But after that, when the interest rates started going up again due to the reconversion loan and the big government deficit of that year, it was no longer the government's responsibility but the responsibility of the Bank of Canada. The government, they said, had no control over the Bank of Canada, which is responsible only to parliament. What a sham, Mr. Speaker. What a farce. This government has the integrity of an alley cat. After its whinings and howlings it refuses to take responsibility for its financial misdemeanours.

Now, Mr. Speaker, the government says we must have a skilled society. I quote from the minister's statement:

> Our technological developments, the enterprise of our business community and the skills and training of our people, great as they are, have not kept pace with the needs of a rapidly changing world.

Everyone knows that. This is not something new. I made a speech in this house in the spring of 1959 urging the government to take immediate and drastic action to rehabilitate unemployed workers and to provide them with the skills which they would otherwise not be able to acquire. I urged the government to do this on a scale comparable to the rehabilitation of world war II veterans. Did the government listen? Not then, Mr. Speaker.

If they had acted then, the program would have been well under way by now. It is true the government did take some small steps in the right direction last November, but the

action taken was completely inadequate to meet the situation which we face. It was another example of too little and too late. But if the government took itself seriously it would realize that these skills must start at the top. We must have a skilled government. We must have a skilled minister of finance if the country is going to grow and develop. If these skills, which are now nonexistent, had been available at the top we would not have suffered this so-called rolling readjustment; it would never have taken place.

The minister has said that this is not an ordinary budget. That is a mouthful even for the minister. He called it an economic budget. In truth it will turn out to be an economic bungle. The keynote of the budget, as we were told by the parliamentary secretary this afternoon, is the deficit and what it is going to do for the Canadian economy. But as was so ably pointed out by my hon. friend from Kenora-Rainy River (Mr. Benidickson) this budget is not planned; this deficit is not planned; this is not part of the great new blueprint for Canadian recovery. This is just an acknowledgment of a fact of life which exists in this country at the present time. This, again, is the minister trying to make a virtue out of a necessity. We have had examples on previous occasions of the minister saying that something was planned. Last year, when the minister introduced his budget, he said:

> The position we have now reached with its sound prospect of a fully balanced budget represents the fruits of carefully designed policy carried forward over the past 18 months. This is not something which has just happened. This is the result of considered means and efforts. It began with the great conversion loan in the summer of 1958 which made possible a policy of sound debt management which in turn restored public confidence and government credit and our determination to control the powerful forces of inflation. It was continued in the expenditure controls and the tax changes of 1959 and has been reinforced in this year's program of reduced controllable expenditures balanced by the continued promotion of constructive national development.

To listen to the minister speak one would think that many months before, and as part of a plan, he was going to bring in a really balanced budget. But what is the fact? The fact is that the minister's proposed $12 million surplus has turned into a $345 million deficit. Members opposite used to paraphrase and malign the Right Hon. C. D. Howe and attribute to him the question: "What is a million?" Now we have the Minister of Finance asking, in effect, with a shrug: "What's a million dollars a day?" It is a sad commentary that the planned economy which this government endorses is planning from hindsight rather than from foresight.

What the minister said last year is borne out, of course, by a Conservative document called "Conservative Action". They were pleased to boast at that time and I quote:

> In 1960-61 the Conservative government introduced financial proposals which had as their objective the balancing of the budget without raising taxes and, indeed, at a level of taxation in relation to the growth of the gross national product lower than in any year between 1950 and 1958.

Well, if that was the objective, the government certainly fell short of reaching it.

Mr. Pallett: Taxes are still lower.

Mr. Hellyer: Taxes were not still lower. The hon. member might check that. We thought we had an undertaking in this respect. The people of Canada, at the time they gave the Prime Minister the mandate, thought they had an undertaking. In Saskatoon, on May 27, 1957, at a press conference, the Prime Minister gave a pledge that taxes would be reduced. I quote from a news dispatch:

> John Diefenbaker said today the Progressive Conservative government could carry out its declared policy, reduce unnecessary taxes "and still do it on a balanced budget".

That, Mr. Speaker, is one more unrealized dream, one more broken promise. Now we have this year the fourth annual deficit of the Progressive Conservative government, and instead of apologizing, the Minister of Finance has the temerity to pretend to this house that it was planned, that it is all part of a fiscal scheme to rescue the country from the mess in which it finds itself. It would be nice if that were so but, of course, it is not so. The minister in his budget speech said:

> If appropriately planned and timed, a substantial deficit can encourage higher levels of output, employment, income and savings without incurring risk of inflation.

He went on to say that the risk of inflation was minimal but he skirted very cautiously around the whole subject. He did not tell us how he was going to achieve the goals he has in mind without inflation; he did not tell us the extent to which the Bank of Canada should be used to finance the deficit and to finance the proposed manipulations in the exchange fund. We have a right to know this, Mr. Speaker, because it is important for the future of Canadians that they should know whether or not the minister intends to start the printing presses rolling now as the only recourse in order to get the government out of their present unfortunate situation.

The minister was faced with high expenditures—expenditures which, he would say, were largely uncontrollable. There were three alternatives. He could have increased taxes,

but that would be very unpopular politically. He could have borrowed the money in competition with other borrowers, but this would have driven interest rates to unprecedented high levels beside being equally unpopular politically. As the third alternative he could start the printing presses rolling and print more money and put it into circulation. In this way he might avoid the consequences of any action which was politically unpopular.

We wonder, Mr. Speaker, whether this blushing bride, the Minister of Finance, is not like the blushing bride who puts woollen stockings into the washing tub of boiling water and finds on removing them that they have shrunk to a considerably smaller size. We wonder to what extent the Canadian dollar will be shrunk as a result of the monetary expansion which the Minister of Finance may have to prescribe in the existing circumstances.

The Minister of Finance had quite a bit to say about inflation in earlier days and some of the quotations from his speeches in the years 1956 and 1957 make very interesting reading. At that time he was not in favour of embarking upon such an escapade. However, today when he is responsible, it is quite a different matter.

The minister in his budget speech went on to say that we should not expect deficits to occur in the indefinite future. He stated that when the economy and income have reached satisfactory high levels and the rate of economic growth is strong a sound budget and tax structure should generate sufficient revenues not only to cover actual expenditures but also to provide funds for the orderly retirement of debts. This is an interesting prospect and an interesting hypothesis; it must be so because the minister says it is so. If he is correct in his assumption then there have been only four years of Tory government in the history of this country when there has been a satisfactory level of employment and income. In every other of the approximately 40 years of Conservative government in this country there have been unsatisfactory levels of employment and income, at least according to the minister's tests.

We now find the minister seeking to find a scapegoat in order to get himself out of his financial difficulties. He has told us that he is going to require the resignation of the governor of the Bank of Canada. There are only two possibilities to explain why the governor of the Bank of Canada should be retired six months before his term of office has expired. The first is, of course, that the government must start the printing presses, and must indulge to some extent in the inflation of the Canadian dollar, a course which no governor could possibly permit in all conscientiousness.

The other reason is, of course, that the government is trying to find a scapegoat on which to unload the political unpopularities in which it finds itself at the present time, anticipating a deficit of $650 million, in round figures, as well as requiring perhaps several hundred millions of dollars to finance the manipulation of the exchange fund. That is a course which the minister said, only a few months ago, might not be successful.

There is a great deal of capital also required in respect to the industrial development bank, and I should like to ask where the government is going to find that capital, as well as the $100 million for the sinking fund to buy long term government securities. Where are these great amounts of capital going to come from? Are they going to come from the market or are they going to come from the printing presses, and to what extent? We have the right to know whether our savings are going to be jeopardized by an irresponsible government.

This Minister of Finance has deceived the House of Commons.

Some hon. Members: Oh, oh.

Mr. Hellyer: By changing the structure of his budget he created the impression in regard to his revenue forecast that he only expected a growth of 3 per cent. In answer to a question today he admitted that was not the figure he used. He has refused until now to give this house the figure. He must do so because it is the right of the peoples' representatives to know on what basis the minister has made his forecast.

Mr. Benidickson: It was an unprecedented performance.

Mr. Hellyer: By subterfuge and by changing the structure the minister has misled this house deliberately, or otherwise, and he will have to say which.

Some hon. Members: Order.

Mr. Hellyer: The minister should also tell us at the same time what percentage of growth he expects to take place, and on what his—

Mr. Deputy Speaker: Order.

Mr. Hellyer: —forecast is based.

Mr. Deputy Speaker: Order. I thought I heard the hon. member say that the Minister of Finance had deceived the House of Commons deliberately. I am sure the hon. member did not intend to say that and will wish to correct it.

Mr. Hellyer: Mr. Speaker, I said "deliberately", or accidentally, and the minister himself would have to tell us which. If he says it was accidental I will take his word for it, but he should tell this house which it is. He should also tell us what is the expected rate of growth on which he has based his economic forecast. Let him stand in his place and tell us the truth.

Mr. Deputy Speaker: Order. That may be another way of putting the suggestion, but I think in one way or the other the hon. member should not use the word "deliberately" because it is not accepted parliamentary practice to do so.

Some hon. Members: Withdraw.

Mr. Hellyer: Does the minister wish to say that—

Some hon. Members: Withdraw.

Mr. Hellyer: Is the Minister of Finance asking that I—

An hon. Member: The minister did not say a word.

Mr. Lambert: Put up or shut up.

Mr. Hellyer: Mr. Speaker, I suggest we have to leave it to the minister to tell us whether this was an inadvertency or otherwise.

Mr. Deputy Speaker: Order. The hon. member is not putting a question but making a speech, and he was not putting a question on the first occasion he used the words, which I indicated are unparliamentary. I think he will agree with the suggestion that he withdraw his remarks.

Mr. Hellyer: Mr. Speaker, I do not wish to accuse the minister of anything of which he is not guilty.

An hon. Member: Then withdraw.

Mr. Hellyer: If the minister will rise in his place and say that this was done accidentally or inadvertently—

Some hon. Members: Order.

Mr. Deputy Speaker: Order.

An hon. Member: Don't be so cheap.

Mr. Deputy Speaker: The hon. member will realize that the problem is not one of fact but of form. He cannot discuss the fact, and it is the form that the Chair is now objecting to and that is why I am asking the hon. member to withdraw the word "deliberately".

Mr. Hellyer: Mr. Speaker, I withdraw and say that the minister misled the house accidentally; whether for a purpose or not, only he can say.

[Mr. Deputy Speaker.]

Some hon. Members: Oh, oh.

Mr. Deputy Speaker: Order. It seems to me that the hon. gentleman is having difficulty withdrawing. He should understand that the rules and practice of the House of Commons are very clear in this respect, and should withdraw his remarks without reservation.

Mr. Hellyer: Mr. Speaker, I withdraw the accusation of deliberate deception. However, I think the deception remains and that this house is entitled to an explanation from the minister.

An hon. Member: Don't spoil your withdrawal, be a gentleman.

Mr. Hellyer: Mr. Speaker, in referring to the future the minister said he would not wish hon. members to expect that expansion can be accomplished by some simple or quick formula. It would be folly, for example, to attempt drastically and artificially to force interest rates down by irresponsible increases in the money supply. How else can this be achieved other than by currency issue or in the alternative a reduction in government borrowing? We have the right to know from the minister the mechanics by which this is going to be achieved. He has not told us. He is vague.

The minister has carefully skirted this question. While we may regret that we have not been given clear statements by the minister in this regard I am going to assume for the purpose of a few comments that there is in the mind of the Bank of Canada and in the mind of the minister a fear—

In respect of this matter, Mr. Speaker. I continue:

I do not believe for one minute that the Bank of Canada would act in a vacuum. We all have respect for the governor of the Bank of Canada, Mr. J. E. Coyne; he is a very serious man who takes a conscientious and grave view of his responsibilities.

I am sure no one would disagree with that; I hope they do not because these are the words of the Minister of Finance, as recorded in *Hansard* of August 11, 1956, at page 7460. Many of the statements the minister made then are in quite definite contradiction to his actions in office. At one point he said, as reported at page 2557 of *Hansard* of March 21, 1957:

The governor of the Bank of Canada has appealed for the curtailment of expenditure but his recommendation has gone unheeded by the government. I am not saying, of course, that some large government expenditures are not necessary; we have been dealing with some of them here today in what we have approved in recognizing the need of the pensioners to some additional increase because inflation has destroyed, in part, the value of their pensions. But there is a great deal of government expenditure that could be, under careful examination reduced.

And so I say in conclusion on this subject: Let the government first cast out the beam from its

own eye and then it will see clearly to pull out the mote from the eye of the individual Canadian.

And I may add this—that the Minister of Finance, as far as we are concerned, is not going to hide behind the policy of the Bank of Canada. He is going to bear his own responsibility.

Mr. Pickersgill: Who said that?

Mr. Hellyer: That was said by an hon. gentleman who sits on the treasury benches today. At the present time he occupies the portfolio of finance. He said it in this House of Commons on March 21, 1957, as reported at page 2557 of *Hansard*.

Mr. Pickersgill: Another contradiction.

Mr. Speaker: Order. I am sorry to interrupt the hon. member but his time has expired.

If I may intervene here for a moment, perhaps we could complete the discussion of the proposed subamendment. I have some general conclusions. Unless anybody is disposed to argue seriously that the subamendment is out of order I think the benefit of the doubt should lie in the direction of accepting it. In the last decade or two the tendency has been to admit subamendments and amendments in the budget debate rather more easily than in other instances. The normal rule is to be found in citation 203, subsection 1, of Beauchesne's Parliamentary Rules and Forms, fourth edition, where he says:

> It is an imperative rule that every amendment must be relevant to the question on which the amendment is proposed. Every amendment proposed to be made either to a question or to a proposed amendment should be so framed that if agreed to by the house the question or amendment as amended would be intelligible and consistent with itself.

The reason I feel that this subamendment might be accepted is that the amendment itself is very broad, bringing into question the whole of the budget. Therefore I have looked at the subamendment to see whether any of the numerous subjects mentioned in it are necessarily outside of fiscal and economic policies such as might be appropriate for action in the course of the consideration of budget measures. On that test, perhaps giving the benefit of the doubt to the mover, the subamendment can be accepted.

Mr. Regier: On a question of privilege, if I may, I had asked—

Mr. Speaker: If anyone wishes to propose any contrary view I would hear him at this time.

Mr. Regier: During the course of my remarks I asked leave of the house to table a rather lengthy table which appeared in *Hansard* of February 8, 1960. I did not give you, Mr. Speaker, time to ask for permission.

Mr. Speaker: Has the hon. member leave to ask at this time that the table be printed in *Hansard*?

Mr. Bell (Carleton): Would the hon. gentleman indicate the length of the document and in view of the fact that it already appears in *Hansard*, why he wishes to have it reappear?

Mr. Regier: It does not appear in *Hansard* of this year; it appears in *Hansard* of February 8, 1960. It contains a list of corporations and individuals who have been convicted by the courts for violating the Combines Investigation Act since 1950.

Mr. Fleming (Eglinton): Mr. Speaker, I do not think it is the practice of the house to have a document reprinted in *Hansard* of a later session. It is available to hon. members in *Hansard* of 1960, I understand. I therefore see no occasion to reproduce it in *Hansard* of this session. It is available to all hon. members because of the reference the hon. member was kind enough to give.

Mr. Speaker: Without unanimous consent it would not be in order to incorporate anything in *Hansard* which had not been spoken.

(Translation):

Mr. Maurice Allard (Sherbrooke): Mr. Speaker, may I congratulate the Minister of Finance (Mr. Fleming) for his wise budget.

Under the present circumstances, this budget is such as to promote employment, production and exports. It is certainly advisable to increase the purchasing power of Canadians, of taxpayers, by reducing interest rates and the rate of exchange of our dollar.

One item which pleased me particularly was the one providing for further tariff changes to give greater protection to our textile industry. Since the Progressive Conservative government assumed power, it has taken action with regard to the protection of that important industry on 14 different occasions. I see that the government means to pursue its commendable efforts in this field, and I want to thank its members on behalf of the many thousands of workers, men and women, in the textile industry of Sherbrooke and elsewhere in the country.

The budget speech gives members an opportunity of commenting on the various financial, economic and fiscal aspects of our national administration. That is why I wish today to make a few remarks on the sharing of revenues between the federal government and the provinces, and on the important issue of education.

In the matter of tax sharing between the federal government and the provinces, there were in the past two great causes of trouble between Ottawa and the provinces. First of all, the various governments encroached on fields which the British North America Act of

1867 did not place under their jurisdiction. Second, Ottawa, under Liberal rule, centralized various powers and taxation fields so as to levy almost everything while entrusting the provinces with the spending of large amounts of that money. In the latter case, which we will discuss later, it meant sapping the fundamental principles of responsible government.

On the basis of our constitution and of judicial decisions, the provinces are entitled to exclusive jurisdiction over direct taxes collected within the province for provincial purposes. The federal government can levy taxes either directly or indirectly.

Several years ago, due to certain circumstances, the federal government invaded the direct taxation fields of the provinces, such as income tax, corporation tax and succession duties. The provinces in turn invaded some indirect tax fields which were ruled to be direct tax fields by the courts in view of certain tricky aspects.

I refer in the latter case to indirect taxes on retail sales, to taxes on the transfer of securities, on meals, theater tickets and gasoline or petroleum. Such indirect taxes levied by the provinces were ruled direct taxes by the privy council, because they were levied directly from the ultimate consumer, without being included in the initial price.

Now we have just seen that the federal government and the provinces skilfully invaded taxation fields which had not been explicitly granted to them under the British North America Act of 1867. While such actions on both sides may have helped improve temporary situations, they have created confusion and raised permanent difficulties in the way of fiscal relations betwen the federal government and the provinces. It is always difficult to withdraw from a field of activity after getting deeply involved in it, because once a precedent is established under our constitutional law, it leaves an almost indelible trace.

When, for the first time, the federal government levied a direct tax on personal incomes, the then minister of finance indicated that this was just a temporary measure. On that occasion, Sir Thomas White recognized that direct taxation was particularly appropriate for the provinces, and I quote:

(Text):

The income tax is peculiarly within the jurisdiction of the province and is a suitable tax for the purpose of the province and the municipalities.

[Mr. Allard.]

(Translation):

During the second world war, another minister of finance, Mr. Ilsley, again invited the provinces to lease out their taxation powers to the federal government for the duration of the war only.

But what happened after is a matter of record: what was supposed to be temporary became permanent under the Liberals.

Precedent superseded principles and the spirit of the constitution.

Another important cause of conflicts in the fiscal relations between the federal government and the provinces is the systematic dislocation of responsible government which was fostered by the Liberals to the prejudice of the provinces. That is what they did when they were in power: they centralized in Ottawa more than 77 per cent of taxes, part of which they returned to the provinces. What they wanted was to levy taxes while letting another government spend the tax revenues, in short, to control the greater part of the revenues and the economy of the provinces and let the provinces take the responsibility for their respective expenditures and development.

That flippant attitude of the Liberals toward the constitution was found to undermine the principles of responsible government. Under the Canadian constitution and according to the very nature of Canadian federalism, the provinces, like the federal government, are independent governments and each of those governments is sovereign and responsible in its own sphere. Well, everyone knows that a responsible government must have essential taxation powers and should not be placed under trusteeship which would paralyse its activities.

The system established by the Liberals consisted in grabbing the province's revenues and distributing to the provinces subsidies and varying payments. Such policy was unconstitutional, erroneous and a source of dissatisfaction both at provincial and national levels.

Under a federative system, it is unthinkable that a government should levy taxes and that another should spend those moneys.

The Liberals of today and of 1945 would be much better off if they would forsake their last leaders and stick to the views of a great Canadian, Sir Wilfrid Laurier who stated in 1887:

It is altogether a false principle that a government should levy taxes and that another should spend them.

In 1930, some 15 years before he gave in to the centralizing ideas of Mr. Howe et al, the Right Hon. Mackenzie King stated in the House of Commons:

(Text):

When on a previous occasion we were discussing this matter of grants from one treasury to another, I said I thought it was an unsound principle; in fact, I think I used the expression that it was a vicious principle to have one body raise the taxes and another body spend the people's money thus raised.

(Translation):

In 1952, a Liberal senator, the late Jacob Nicol, whom I had the privilege to know and admire, stated in the Senate that the Liberals were stealing from the provinces by refusing to return to them their taxation rights.

In 1955, another great Canadian, the Hon. Maurice Duplessis, the premier of his province during the most crucial years, was not afraid to demand the return of what the Liberals unjustly refused to surrender.

In fact, on October 3, 1955, at a federal-provincial conference held in Ottawa, he stated:

What advantage would be gained in having the tax-dollar collected for provincial purposes make a wide detour via Ottawa before being returned to us? Would it be any bigger when it reached us after such a journey. Obviously not. It is certain that responsible government can never exist if fiscal powers which are indispensable to the exercise of the constitutional rights and the performance of the constitutional obligations are not wedded to legislative and administrative prerogatives.

Mr. Speaker, two axioms illustrate well that governments hold administrative authority through taxation; the right to tax is the right to govern. In other words, he who holds the purse strings always has the last say.

It is in the light of the foregoing principles that in this house, on April 13, 1959, I asked the present government to gradually return to the provinces their responsibilities and their taxation powers.

In this field, as in many others, the present federal government is seriously seeking to rectify the anomalies and the confusion spread by the Liberals in our national economy and in our federal-provincial relations during their 22 years in office.

We should not be expected to set everything straight overnight. But the trend set by the formula announced by the Prime Minister at the last federal-provincial conference is a marked return to the spirit of the confederation pact of 1867; to acknowledge the sovereignty of the provinces and to give them back gradually their taxation powers. Since they came into power in 1957, the Conservatives handed over to the provinces, by way of deduction, 10 per cent of the personal income taxes.

Mr. Gerard Filion, managing director of *Le Devoir*, was fully justified in saying in an editorial dated February 25, 1961:

From the purely constitutional point of view, the Diefenbaker proposals mark a definite progress. The provinces, at least those which insist on their freedom, should find them satisfactory.

A little further down in the same article, Mr. Filion said:

If the provinces wish to get back some of the ground they lost, they must not be content to ask more money from Ottawa but must state their willingness to shoulder heavier responsibilities.

This is what Father Ares, a Jesuit who is an authority on constitutional matters, has to say about the provinces' role in the field of taxation. I am referring to Father Ares' article which appeared in the December 1960 issue of *Relations*, and more particularly to page 320. I quote:

The provinces must not forget this: if they refuse to make full use of their rights in the taxation field, they forgo the possibility of their becoming modern and independent governments, capable of handling their own destinies and of deciding on their own what policy they should follow; if they refuse to assume the responsibilities freedom entails, they are doomed to mediocrity, they accept their downfall and join the ranks of governments whose subsistence is ensured by a paternalistic and self-seeking metropolitan government. There is but one road open to the provinces if they wish to remain true to their dignity and keep their freedom; they must, right from the start, fully assume their responsibilities in the field of taxation.

I find it difficult, Mr. Speaker, to understand the negative criticism of the Quebec premier, the Hon. Jean Lesage, with respect to the recent proposals made by the hon. Prime Minister (Mr. Diefenbaker), and which take into account the sovereignty and the increasing autonomy of the provinces. Or rather, I can see in what embarrassing position the new premier of Quebec finds himself. At the time he was a member of the federal Liberal government was he not one of those who did the most to hinder provincial autonomy?

May I read here from the speech made by the Hon. Mr. Lesage in this house on April 14, 1954. As seen on page 4078 of *Hansard*, he said the following:

We cannot, however, accept the unjustified claim that the provinces have priority over the Canadian government in so far as direct taxation is concerned.

And a little further on, he added:

In neither case Mr. Speaker, is there anything but the recognition of a parallel and concurrent right.

So, Mr. Speaker, that was the interpretation that the Hon. Jean Lesage put on the letter and spirit of the confederation pact with a leaning toward centralization and contrary to the interests of the provinces.

But we know that under section 91 of the Canadian constitution, the government of Canada, in the interest of peace, public order

and good administration is entitled to legislate in any matter not included in the classes of subjects assigned exclusively to the provincial legislatures.

Now, in paragraph 2, section 92, of the same constitution, it is provided that the provinces shall have an exclusive right in the matter of direct taxation for provincial purposes. Direct taxation includes personal income tax, succession duties and corporation income tax.

Therefore, the provisions are clear and specific. When provincial purposes are involved, such as education, property and civil rights, the provinces have an exclusive right to direct taxation.

It is not a case, then, as between the federal government and the provinces, of a parallel and joint right to direct taxation for provincial purposes.

Mr. Jean Lesage made in this regard erroneous statements; it is fortunate that our country is now headed by a Progressive Conservative federal government, which is more anxious than he is to preserve those rights and prerogatives our valiant forefathers wrought into the Canadian constitution.

Under the new fiscal formula of the right hon. Prime Minister, the provinces regain possession of their tax fields, enjoy a greater degree of taxation freedom and more of their proper responsibilities.

Before I resume my seat, I would like to suggest to the Minister of Finance (Mr. Fleming) a means or method of settlement concerning the important field of education.

Section 93 of the British North America Act says quite clearly that education is the exclusive responsibility of the provinces, except when minority rights are violated in a province.

Also, the courts have decided that the word "education" used in section 93 must have the broadest meaning. A decision of the Supreme Court of Canada reported under "Adoption Act, 1938," page 398 of the report of the supreme court, bears witness to that.

We must therefore progressively eliminate any federal interference in the field of education as experienced in the last century.

I sincerely believe that an integral observance of the constitution is essential for proper political efficiency of the Canadian confederation.

To this effect, I make four suggestions:

1. That the present government publish its intention to consider as an exclusive provincial responsibility all claims for an increase in the payments made at present by the Canadian government, either to provincial governments, or to educational institutions, as subsidies or any other form of assistance to education, at any level;

2. That the government adhere to the principle of handing over in due course to the provinces the control and distribution of the various forms of assistance with regard to education, which are now operated by the federal government;

3. That the solution of this problem be sought by including the present federal payments for education in the equalization payments guaranteed to the provinces under the fiscal agreements, so that both be integrated and considered at the same time when a renewal of the fiscal agreements is discussed;

4. That this solution be immediately accepted with regard to university grants, it being agreed if necessary that the federal government is willing, until otherwise decided by the fiscal conference, to increase equalization payments each year by the sum representing the intended increase of grants to universities, i.e., by $1.50 per capita of the increased Canadian population.

Mr. Speaker, the federal government would then abstain from paying any additional grants.

A study of the present grant system should be made in order to determine the machinery by which they might be eliminated through their integration with equalization payments.

The amounts voted each year for the Canadian conference of universities would be immediately added to equalization payments and directly handed over to the provinces. It would then be the responsibility of the provinces to make arrangements with the universities to determine the method of distribution, whether through the present Canadian conference of universities, or any other means. It would be the responsibility of the universities themselves to discuss the formula with the provincial governments.

Under such an agreement, no province could claim to be financially wronged by the cancellation of direct grants to the universities. They would receive the same amount, except that they would be free to use it as they pleased. The problem of equalizing the funds available for educational purposes would then be a responsibility of the federal-provincial conference and could be appropriately settled by the parties concerned.

(Text):

Mr. Walter Pitman (Peterborough): Mr. Speaker, today I should like to say a few words, first with regard to the prelude to

this budget; second, the philosophy behind it, and finally the results of the application of this philosophy. Probably for the first time in the history of this house we are now dealing with two budgets, the one which was released by the governor of the Bank of Canada, Mr. James Coyne, at the beginning of this week, and the second, the official budget, which was read to the house by the Minister of Finance (Mr. Fleming).

We noted with some interest the fact that the minister tended to read his budget speech very quickly, and indeed when he spoke most quickly, the loudest and with the greatest flourish we noticed the words had a very familiar ring. It became very evident that the major salvos had already been fired by Mr. Coyne and in many cases the minister had been left with empty shells.

We remember, of course, the 7½ per cent excise tax being taken off automobiles, the expansion of the industrial development bank's assets, and the resounding statement that monetary policy was only one aspect of the whole picture. We remember the fact that we want a balanced budget by 1962, and the cutting down of imports from abroad. It would seem that these two gentlemen are not the light years apart which has been assumed in this house over the last few days. In fact, rumour has it that these two gentlemen sometimes had lunch together and that indeed they were on rather good terms. I sometimes wonder whether this whole thing came about as a result of a very badly digested meal. We also understand that the Department of Finance depends a great deal upon the research facilities of the Bank of Canada, as does the Department of Trade and Commerce. Indeed, these two gentlemen were not that far apart after all.

In reply to the opposition on the debate on Mr. Coyne's future the Minister of Finance began by saying there is no halfway place. I am sure this eminent gentleman realizes that this world is full of halfway places. Indeed, there are few extreme positions; life is nothing but finding compromises. However, I think it is very easy to find a place in this particular argument. In spite of the fact that we may disagree with what Mr. Coyne had to say, I do not think any hon. member of this house can agree with the method by which Mr. Coyne has been treated in the last few days. The question I would ask is, why does the minister have to make this nation the laughing stock of the world? I am sure this will go down as a tremendous joke in the financial centres of all continents of this world.

One might wonder, indeed, about a budget brought down by this minister when evidently the governor of the Bank of Canada knew nothing about it until he read it in yesterday morning's newspaper. I wonder how much confidence the nation can have in such a budget. Also, I cannot help feeling very unhappy about the fact that Canada is almost being relegated to the position of a banana republic in the Caribbean by the way in which Mr. Coyne has been used.

It would seem it is not a matter of getting rid of a co-operative Mr. Coyne; he has said he is going to be co-operative. It is not even a matter of getting rid of an un-co-operative Mr. Coyne, but rather of acquiring a silent Mr. Coyne. Mr. Coyne apparently was not willing to be silent and the whole scheme backfired very badly. The Minister of Finance has not given us a shred of evidence that there has been any lack of co-operation or that he has been at odds with Mr. Coyne until the last few days, either in relation to interest rates, balanced budgets or anything else. In fact when he came to argue with the hon. member for Bonavista-Twillingate (Mr. Pickersgill) it turned out that he had to use the words of the Leader of the Opposition (Mr. Pearson) and of Mr. Lamontagne to prove that he had been in opposition to what Mr. Coyne had been saying.

I think we might very well ask what right the Minister of Finance had to ask Mr. Coyne for his resignation. What right had he to bulldoze the governors of the bank to get the resignation of Mr. Coyne? Certainly we are entitled to ask what right he had to call into question the Bank of Canada Act, which states that the governors have the right to set up a pension fund for the officers of the bank? After all, the governor is the chief executive officer of the bank. As much as we dislike the size of this pension—and we disagree with its extent—none the less Mr. Coyne did nothing that he was not legally able to do as the governor of the Bank of Canada.

I express the concern of a great many people in this country, I think, and the lack of confidence in this budget as a result of what has transpired. I refer to the shocking events which have transpired outside this house and the effect on the public service of Canada. This service has a long and proud tradition, a British tradition, of treating its public servants honourably. I sincerely hope this will not lower the morale of various departments of this government.

Let us turn to the budget itself. The minister has called it an economic budget. I do not really know what other kind of budget one could have. I think I would call it a Conservative budget. It is couched in terms which indicate a complete lack of faith

that government can really be effective. The minister's remarks regarding "bureaucratic delays", and so on, show his idealistic view of so-called laissez-faire, free enterprise school which believes that no government is good government.

The purpose of the budget as expressed by the Minister of Finance is worthy; to solve unemployment, to create a balanced growth in every sector, to improve technical efficiency of industry, to raise the level of savings and investment by Canadians. All of these objectives are very worthy, though we fail to see how this budget is going to accomplish any of these things. We do not believe that government needs to adopt stifling controls; we do believe that a government should provide leadership and planning, something which is completely lacking in this particular government.

What does the minister appeal for throughout the entire budget? He said, as reported at page 6642 of *Hansard*:

> In our free enterprise system we shall need self-discipline and the full co-operation of business, labour and all levels of government—

Later in his speech the minister called for "co-operation of labour and management" in regard to prices and wages. In other words, what he expects is foresight and initiative to come from the bottom, when it is completely lacking at the top.

Mr. Pickersgill: Hear, hear.

Mr. Pitman: We do not believe the country is on the brink of disaster, as has been claimed. However, we do believe that when a nation has the highest unemployment rate of any developed nation in the world, when it has one of the lowest gross national products of any developed country in the world, when its capital expenditure on plant and factories has gone down to an unbelievably low level, when a small businessman in an area, whether he runs a restaurant, a furniture store or a car lot, finds his profits going down somewhere between 3 to 27 per cent, something seriously needs to be done.

We feel that the tragedy is not so much what is but what could be, in a nation with all the unused plant capacity and unused human resources which the minister spoke about last Tuesday evening. We want to see an expanding economy, and once again we do not see anything in this budget which will give us this.

The minister has said, "We do not intend to let events take an unguided course in the hope that these problems will solve themselves". But that is exactly what happened this last winter. This government would not even admit there was unemployment until some time in December and January. Then they waited for these problems to solve themselves. This government has no faith in planning. This government cannot plan, because it has no faith in the initiative which would take place if it did.

This budget is concerned entirely with incentive, in the hope that if we spread enough money around at the top, some small part of it will finally find its way and filter down to the bottom. It is completely beyond the comprehension of this government to give money at the bottom and hope that some of it might go to the top.

One of the things this budget is certainly built upon is the hope that the premium on the Canadian dollar will disappear. We want to know by what method. The minister is not suggesting that the foreign exchange board of the second world war is going to be reconstituted and will fix a rate, something that can be depended upon. He suggests, rather, that we are going to set up a foreign exchange fund to buy United States dollars. With an annual average inflow of well over $1 billion, how can one tenth of this create a long term devaluation of the Canadian dollar?

An hon. Member: Go back to school and find out.

Mr. Pitman: How can the minister be sure that this will not create a considerable fluctuation which will have a very serious effect upon the money market? What of other currencies? I understand that yesterday the relationship of the German mark to the Canadian dollar was exactly the same. In other words someone could have converted Canadian currency to German marks and exchanged German marks into United States currency to escape the premium on the direct conversion. I think this is certainly a problem with which the minister should be concerned.

The minister suggests also that he will lower interest rates. How? I share the concern of the hon. member for Trinity (Mr. Hellyer) as to how these rates are going to go down. The minister says he is not going to force the interest rates down.

As he stated—and this appears at page 6645 of *Hansard*—we attach high importance to a climate of confidence and understanding in our financing matters. Well, all of us have a great deal of confidence in the businessmen of this nation but to expect leadership from them is, I suspect, a matter of misguided hope. Will not the government's needs, with a deficit of $1 billion not raise interest rates, or will the printing presses begin to turn as the hon. member for Trinity suggested? I am all in favour of creating understanding,

but I think this is an area where the government has to take some action and show some initiative.

Certainly, one of the areas where the government is advocating a shrugging off of responsibility is the area of dominion provincial relations. In this respect, the government seems determined to go back to the 1930's. In 1940 this nation had the benefit of having one of the greatest examinations of our federal system which was ever initiated. I will be the first to admit that it was under the Liberal regime. The recommendations of the Rowell-Sirois report are, I think, as valid today as they were back in 1940.

Mr. Pickersgill: All being torpedoed now.

Mr. Pitman: That commission thought the solution to our problems would require greater centralization. They thought this was a world wide movement and not simply a matter for Canada to deal with. They believed it was in the interest of all Canadians for the government of Canada to take over certain functions and to take over certain fields of taxation. They believed these policies should be centralized. Equalization, they thought, should be based on a national adjustment grant which would be based on need decided according to expert study. Now, not only is this government determined to excuse its failings by commenting on the confidence of the businessman but it wants to shrug off its responsibilities placing them with the provinces.

The No. 1 weapon by which this government can do anything about unemployment is the monetary and fiscal weapon and now the Prime Minister (Mr. Diefenbaker) is thinking of placing in the hands of the provinces the opportunity to negate whatever the central government is trying to do. A perfect example of this comes right with this budget. Here, this government is going to reduce this tax on automobiles—7½ per cent. But what is the premier of the government of Ontario doing? He is putting up the tax by 3 per cent. If the premier of Ontario had pondered for a year to find a way by which he could negate the influence of this government he could not have come up with a better suggestion than a 3 per cent sales tax, the most regressive tax possible. This is an example of what is going to happen. One can see this jungle taking shape in every place in Canada as province after province puts on one tax after another to negate the effect of taxes taken off by the federal government. I think this will be a matter of intense concern to people right across this nation.

Furthermore, once again this equalization is back on a political pandering basis. Forty per cent is given here, $8 million there. The government refuses the opportunity to provide leadership and refuses to realize that provincial freedom may involve federal slavery for the Canadian people as a whole.

Perhaps I might give a perfect example of the lack of leadership and direction which has been noticeable in the last six months by drawing attention to one particular problem with which this government tried to deal in the last budget placed before this house. I should like to read from *Hansard* at page 1007 where the speech is reported in which the Minister of Finance brought forward one of the ways by which the unemployment problem was to be solved. I quote:

> The most important of our immediate objectives, as I have already said, is to deal effectively with the problem of unemployment.

I take it, of course, that the minister meant unemployment during this year and not unemployment some years hence. Further on in the same paragraph the hon. gentleman said:

> I am anxious to do everything in our means to encourage initiative and enterprise. As a powerful incentive to these ends I am pleased to announce measures to fulfil three major purposes: first, to assist new industries in areas where there is a substantial degree of continuing unemployment over the years—

That was the first proposal. Did this government designate the areas which were to be qualified as surplus manpower areas? No. We heard nothing more about it. When more information did come down, not without considerable prying on the part of the opposition, it came down on March 2. Yet the minister had the audacity to suggest in this budget, and here I read from *Hansard* at page 6658:

> As usual with such matters, interested persons took some time to consider the possibilities in relation to their own affairs and their own plans. Following a time lag which was not unexpected—

The minister went on to say that interest was increasing. The time lag Mr. Speaker was the result of delay by this government. It took until March 2 before any indication was given as to what the criterion might be for those areas which had a surplus manpower. Equivocation of this kind is difficult to stomach. It certainly was not the result of business hesitation. It was because the municipalities did not know whether they were eligible and could not even find out from the government whether they were eligible.

Finally, on March 2, we found out what the criterion was. Was it some glorious, complicated criterion which might have taken months and months of this government's activities to find out? No. It could have been looked up the day after the minister had rushed out his budget speech. It could have been looked up in a chart to be found among

the documents of the Senate committee on manpower and resources. That criterion could have been announced then. Instead, this government took three months while the unemployment rate was the highest in the history of this nation for the last quarter of a century. This was an inexcusable lack of responsibility. This criterion, again, was combined with another stipulation that the industrial force must be going down. That is when the Department of Labour or the Department of Finance, through its officials, should have been in these constituencies finding out whether or not the employment force had gone down. I am not, of course, suggesting that what was being offered to these areas of surplus manpower would be any use whatsoever—double depreciation for one year is practically useless. In fact, I would ask this question: how many industries are, six months later, receiving the benefit of this allowance? I would be very interested to know, because this is one of the most fantastic negations of government responsibility that I have ever seen.

Mr. Pickersgill: None.

Mr. Pitman: It took four months from the bringing down of the last budget before one area had been designated, namely, Cornwall. It took from March 21 to May 4 for the government to figure out that Windsor should be designated as such an area. Then—this is the greatest joke of all—a few days ago they had to change the rules so that they could bring in the one area which they were trying to get in, namely, Elliot Lake. The government had refused to tell the areas which had an opportunity to come under this scheme whether they were eligible or not. But I have worked out—and I can assure hon. members it did not take me long—a list of the major industrial areas of 10,000 people and more who have the required 75 per cent of unemployment and, as of June 2, Shawinigan Falls, which had 90.5 per cent, had not applied; Grand Val d'Or had not applied; Cornwall had applied and been accepted; Lac St. Jean with 32.6 per cent had not applied; Trois Rivières with 90.5 per cent had not applied, Brantford, with 90.5 per cent had not applied —had not even been told that they were in a category where they could apply. So what do we have? As of June 2 there was 39 places which had applied and most of them, well over 50 per cent of them, are way below what has been set out in this particular criterion. They have no chance of gaining any help whatsoever from the scheme which has been designated by this government.

I know of one case where the municipal council of a city tramped all the way down here to Ottawa and spent the day down here, the taxpayers' money having been spent on sending them down here, to spend a couple of hours with a minister of the crown to find out where they belonged in this category. They could have been told that they belonged in that category by means of a phone call in two minutes. It took me 15 minutes to find out what the percentage was by simply looking through the copies of the *Labour Gazette* which are to be found in the library of this particular house. That is an instance of the lack of responsibility, the lack of leadership, the lack of initiative with which this government has conducted its affairs over the past six months. We are presented with a huge deficit and told by the Minister of Finance that this will not cause any real inflation. He then adds that modest price advances in regard to some of the goods we obtain from abroad as well as in regard to some of our export commodities will occur. What consideration does he give to the consumer or those individuals who are on pensions and whose incomes are stabilized, those individuals who are so dependent on welfare benefits? I suggest there is not a bit of concern given to those people. It's a budget of bits and pieces.

I should like to read from page 5 of the report from the Senate special committee on manpower and employment as follows:

> The maintenance of an adequate rate of economic growth requires a continuing high level of capital investment, both private and public. Private capital investment must be supplemented and stimulated by an adequate rate of government investment in social capital.

This is an area which the present budget has missed completely. The report then continues as follows:

> Our stock of social capital is both inadequate and in many respects obsolescent, especially in our rapidly expanding urban areas.

Has this government dealt with anything in that area? I suggest it has not. That certainly indicates poverty of imagination and a complete lack of a recognition of the major problem of this nation.

This huge deficit is being used as an answer to the problem in a manner similar to spreading out a mass of green and white bottles on the floor and then turning a firehose on the bottles with the expectation that some water will go into the green bottles but none into the white bottles.

There is no indication in this budget as to the determining of whether this huge deficit and the money resulting from it will be directed into those areas where it will provide employment. I suggest it sets forth a firehose approach which I am convinced will have very little effect upon the problems of this nature.

The minister is determined that he is going to increase the investment in Canada by Canadians. Here again there is no plan for creating some kind of Canadian development fund to provide incentive and encouragement to Canadians to invest their money in areas where it is socially desirable, none whatsoever. Once again the incentive is provided at the top with the hope that some of it will drop to the bottom. Again, is this not a time for lower taxes in certain areas so as to provide greater employment?

We note with satisfaction that the minister is now determined to do something about the individuals with high expense accounts; expense account living, he called it. His answer to this problem is simply that the Department of National Revenue will scrutinize this type of thing. I suggest this is not enough.

In conclusion I should like to state that this is the last time that the C.C.F. party as such will have the opportunity of discussing a budget on the floor of this house. For that reason, and in view of the budget which has been brought down, I feel that a few facts placed on the record might be of value.

Family allowance payments this year will be $523 million. Old age assistance payments, blind persons and disabled persons' allowances and unemployment assistance will be in the amount of $96,856,000. Hospital insurance and general health grants will amount to $317 million. Old age security payments —expenditures from the old age security fund —will amount to $606,570,000.

An hon. Member: All increased by this government.

Mr. Pitman: The government's contribution to the unemployment insurance fund will amount to $57 million. Total welfare payments amount to $1,600 million. All of this must come out of a total budget of $6,100 million. That means the total welfare payments represent 26.2 per cent of the total budget, which amounts to $90 per year for every man, woman and child in this country.

Let us remember that family allowances were advocated by J. S. Woodsworth in 1926 and were adopted in 1944 and 1945. Old age pensions were extracted by J. S. Woodsworth and A. A. Heaps from the Liberal government in 1926. Hospital insurance was advocated by J. S. Woodsworth in 1926 and adopted in 1959. Old age pension were extracted from the Liberal government in 1926, and we have a letter signed by the late Mr. Mackenzie King indicating the extent of that extraction. Unemployment insurance was advocated by Mr. J. S. Woodsworth in 1926 and adopted in 1940 by the Liberal government.

In concluding my remarks I should like to say that I have no concern whatever about history dealing very kindly with this party.

Mr. Nasserden: Mr. Speaker, would the hon. gentleman permit a question?

Mr. Pitman: Most certainly, Mr. Speaker.

Mr. Nasserden: Did I understand the hon. member to say that the provincial sales tax, such as was brought into effect in the province of Saskatchewan by the Liberal government, and later increased by the C.C.F. government by 50 per cent, was regressive?

Mr. Pitman: I should say that under certain circumstances it could be regressive, yes.

An hon. Member: That is an example of the C.C.F. government in Saskatchewan.

Mr. J. S. Speakman (Wetaskiwin): Mr. Speaker, this is my first opportunity to participate in a budget debate, and I must compliment the minister and the government for this budget which, in my opinion, and I think in the opinion of many other Canadians, is a good budget.

I was very interested on Tuesday evening last to hear the remarks of Dr. Hannam, the president of the Canadian Federation of Agriculture, who said that in his opinion this budget would do much of benefit to agriculture in Canada.

I wish to deal with three matters which I feel are of urgent importance. The first is of regional concern, but, in my opinion, of national importance. Since 1950 in Canada and particularly in western Canada we have built up a beef industry with the largest market being the United States. Over the past years farmers' incomes have been increased in part as a result of the shipment of dressed and live beef to the United States. In western Canada this year the farmers are facing a drought situation.

I should just like to refer to the latest issue of the *Manitoba Co-Operator* dated June 15. In that issue under the heading "Drought and Livestock" there appears the statement that Manitoba's pasture and hay picture this season to date has not been as grim since the 1930's. This same situation applies to all three western provinces where there will be no early hay cut this year. Normally the first cut of hay should have already been taken, but this year farmers will be fortunate to take one crop in July or early August.

Since this government came into office in 1957 it has recognized Canada's agricultural industry as it has never been recognized by any previous government. This government has placed legislation on the statute books of great benefit to Canada's agricultural industry

across the nation, and has increased the level of income and standard of living of those individuals participating in this industry; although not to the degree desired, this is a step in the right direction.

Among the pieces of legislation which this government has enacted is the measure providing the acreage payments made in 1958 and again in 1960 on the basis of emergency. I should like to state that in my opinion the present situation in western Canada constitutes another similar emergency. One of our major sources of United States dollars exists through the export of beef to the United States. I suggest that if the beef farmers are not assisted in the provision of funds to purchase fodder for their beef herds these herds will have to be drastically reduced with a resultant loss in economy, both regional and national, for some considerable time. I suggest the situation has never been as bad since the 1930's as far as drought is concerned as it is now, when we are just nicely recovering from the losses suffered from the outbreak of hoof and mouth disease in 1950. We have our herds back; we have a good market and I would hope that the government would seriously consider paying the $1 an acre again this year.

The second matter that I should like to deal with is one that I consider to be in the national interest. It is in the interest of all of Canada from the point of view of employment, and from the point of view of a balance of payments with the United States, and it is in the interest of Canadian development and national advancement. I want to speak for a few moments on the Canadian case for the Montreal pipe line.

In the area east of the Ottawa valley we have the largest concentration of users of the products of our oil industry being supplied at the present time almost wholly by foreign imports. In effect this situation is creating employment outside of Canada when we need so much an increase in employment in Canada.

Recently a booklet was put out by Home Oil Company Limited of Canada, and I should like to refer, if I may, to one or two sections of it. The booklet is called "The Canadian Case for the Montreal Pipe Line". They begin by saying:

> The Montreal pipe line project, must succeed or fail on whether it serves the national interest of Canada.

In my opinion it has failed to do so. I continue:

> The proposal to construct a $430 million large diameter pipe line to Montreal falls four-square within the national interest as so defined.

[Mr. Speakman.]

Our productive capacity of crude oil, sir, is 1,100,000 barrels of oil a day. At the time this booklet was printed we were producing 525,000 barrels a day and importing more than 410,000 barrels of crude oil products a day from outside the country. I continue:

> The building of a Montreal pipe line, and the consequent utilization of western Canadian crude oil, can reduce Canada's merchandise trade deficit by more than $200 million in 1963, increasing to more than $400 million per year by 1972.

Surely, Mr. Speaker, this is a worth-while objective for Canadians. The booklet goes on:

> The building of a large diameter crude oil pipe line from Alberta to Montreal will provide direct employment for 6,000 Canadians and indirect employment for more than an additional 25,000 during the two-year construction period.
>
> The pipe line will require approximately 700,000 tons of steel, all of which can be produced from Canadian iron ore and fabricated in Canada into 2,100 miles of Canadian pipe.

There again we would create additional employment. I am sure, Mr. Speaker, that Canadians would gladly pay perhaps a little more for their oil products which they require and use, in the interest of providing employment for other Canadians, rather than providing employment for people in outside countries.

In addition, the building of this pipe line would give a great impetus to national development, to the expansion which the minister and the government so desire. Our known potential of crude oil is more than 30 years' supply for Canadians and our expected potential is probably something like 300 years' supply. Therefore, I believe we would be better off as Canadians to use our own product and develop our own oil rather than give this employment, as I said before, to people outside of Canada.

The third subject that I should like to deal with I like to think is global. As all hon. members know, I had the honour and the privilege in April and May of this year to attend as Canada's delegate the meeting of parliamentarians from the nations and dependencies of the commonwealth, which was held at the houses of parliament in London, England, and at Stormont, the parliament of Northern Ireland. It was a great privilege for me to attend this conference, sir. Before I go any further I should like to urge the government to consider very seriously increasing by a very large amount its contribution to the Canada branch of the commonwealth parliamentary association so that more members of the Canadian House of Commons and of the other place might be able to visit the countries of the commonwealth.

It was very interesting indeed to find, when we were assembled in the houses of parliament in London, that of the 32 delegates

three were white. I think this provides a very interesting commentary on the position of the white people in the world today. In fact their position is perhaps not quite as ascendant as it was. There were 12 delegates from the various nations in Africa; four from commonwealth countries in the Orient; three from India; seven were of Arabian nationality and three from the West Indies. I was delighted indeed to find that all of these people from all of these countries held Canada and Canada's Prime Minister in the highest respect. In fact, the remark made by many of them was that they consider the Prime Minister of Canada to be the foremost figure on the political scene in the world today.

During the passage of another piece of legislation in the house this week, Mr. Speaker, I made mention of the needs of some of these member nations of the commonwealth in respect of the things which we in Canada can provide. I was amazed to read in a report of one of the committees of the house that one of my colleagues had suggested the government should reduce its aid to African nations. In my opinion, sir, we should vastly increase aid to Africa particularly. There is a need for advancement in agriculture. They are farming under very primitive conditions. They have no other source of national income, really. In most African countries their young men and women have to leave home to make a living. Canada could make a tremendous contribution, sir, to the advancement of those nations and by making this contribution it could certainly help to weld this commonwealth into what it could be.

I should like to see my colleagues in all parts of the house support such a move to extend this assistance to those African nations; in fact, to all of the commonwealth nations. I would hope that it would be done soon. It is my opinion that the commonwealth, rather than any other organization in the world today, provides us with our greatest hope for world peace and security. With the commonwealth we can weld together and keep together a team whose members are multiracial and speak many languages but with a common devotion to the crown and the common bond that most of the people in these countries can speak the English language. I would hope that we in Canada would adopt an attitude as a nation and as a people not of what can we get but what can we give in today's world.

Mr. C. R. Granger (Grand Falls-White Bay-Labrador): Mr. Speaker, the budget brought down two nights ago aroused a great deal of interest. There was perhaps more interest this year than at any time in the recent past. There was much anticipation and much speculation because the Minister of Finance (Mr. Fleming) had indicated that he was going to produce an expansionist budget.

Mr. Bell (Carleton): He did.

Mr. Granger: The word "expansionist" had a magical effect. Canada, still in a period of recession, still plagued with unemployment, was really in difficulties. There was no official admission that the nation was in trouble but there was a sort of unofficial acknowledgement that all was not well and among the public there was concern that this condition of recession might not cure itself.

The announcement of an expansionist budget was welcomed generally and excitement ran high. Certainly there is reason to call the budget the great expectations budget. Tuesday night came and the great expectations budget was brought down. The preamble was heroic and heroically delivered. The minister's words were optimistic. He said, as found on page 6641 of *Hansard*:

> The normal growth of real demand can be expected to overtake capacity in the not too distant future.

A great part of the budget speech was an attempt to explain the new policies which were about to be produced, policies which it was indicated would make Canada a land flowing with milk and honey and bursting with prosperity. The minister admitted as he proceeded with his speech that all was not well. This was a new departure, one of several in what was in fact an unusual budget. He had this to say in his speech:

> There is more unemployment and unused capacity in our industries than we can possibly accept. Recent rates of economic growth have been lower than we need to absorb our rapidly growing labour force and the output of our expanding industrial capacity.

This was a very neat way of formally acknowledging that there has been an unemployment problem. A little later he used another neat phrase when he said, as found on page 6642 of *Hansard*:

> We do not intend to let events take an unguided course—

One must note, however, that he did not announce a planned economy. One statement he made was soon proven to be correct, namely:

> The budget which I bring down this evening is not an ordinary budget.

It certainly was not an ordinary budget. It was not set in the usual ideological background either. This was to be an expansionist budget, not one of the ordinary run of the mill, pay as you go budgets. The passing of the years and the persistence of economic troubles had induced a change of thinking if not a change of heart.

Deficits are not new to this government There were deficits in 1958, 1959, 1960 and 1961 and a huge deficit is expected and planned for in 1962. I might also go so far as to say that deficits are a way of life with the present administration. However, to embrace deficit financing as a way to prosperity and to hail it as a noble means to a glorious end is a new philosophy for this administration.

I hasten to add that deficit financing is not necessarily bad or perhaps I should say that deficit financing can be justified. I am not criticizing the decision to resort to deficit financing. I am merely wondering at the complete change in economic philosophy which accompanied its announcement. In a time of economic stress and strain there is positive justification for resorting to deficit financing provided that the deficit financing is to create something new. However, it appears to me that all the present deficit does is to cause us to go deeper into debt in order to pay off old debts. The present deficit financing seems to have been forced on the government rather than having been sought out to create a better and healthier economic state.

Then there is the matter of delay in introducing the budget, for there was an inordinate delay in introducing the budget this year. The budget is, I suppose, about three months late. The delay has caused great anxiety, concern and uncertainty in the Canadian business community. The only possible justification for such a delay would have been the presentation of a far-reaching budget introducing major changes, but there are really no major changes in the budget. To my way of thinking, it is not a document which would justify such a delay and the resultant consequences of the delay that have occurred upon Canadian business. The conclusion which the Canadian public must reach with regard to the delay is that it represents both the arrogance and the poor administration of the government.

The only substantial measure introduced by the government is the use of the exchange fund to attempt to influence the external value of the Canadian dollar. This fund has existed for at least 20 years. It now stands, I believe, at nearly $2 billion. The government could have employed this fund at any time to influence the exchange rate. It did not require a budget to enable the government to use this fund. The fact that the Minister of Finance has seen fit to emphasize the use of the exchange fund and calls this a major measure shows the lack of dynamic ideas in the budget. The use of the exchange fund is rather like finding an old toy in the closet, bringing it out and polishing it up and becoming excited over it. Too little and too late may well apply to this budget of great expectations. It is questionable if the budget contains the power, the real power to bring about the upward change and the rise in industrial development which it forecast. There is wind without the windmill. There are great promises which require real geared energy in order to fulfil them. The substance is not there. Of course, time will prove the value of all the prophecies which have been made.

However, I cannot help but think back to some of the great national projects which were initiated under the previous Liberal administration.

THE ROYAL ASSENT

Mr. Speaker: I have the honour to inform the house that I have received the following communication:

Government House
Ottawa, June 22, 1961

Sir:

I have the honour to inform you that the Hon. Patrick Kerwin, Chief Justice of Canada, acting as Deputy of His Excellency the Governor General, will proceed to the senate chamber today, the 22nd June, at 5.45 p.m., for the purpose of giving the royal assent to certain bills.

I have the honour to be,
sir,
Your obedient servant,
E. Joly De Lotbiniere
Assistant Secretary to the
Governor General

A message was delivered by Major C. R. Lamoureux, Gentleman Usher of the Black Rod, as follows:

Mr. Speaker, the Honourable the Deputy Governor General desires the immediate attendance of this honourable house in the chamber of the honourable the Senate.

Accordingly, Mr. Speaker with the house went up to the Senate chamber.

And being returned:

Mr. Speaker informed the house that the Deputy Governor General had been pleased to give, in Her Majesty's name, the royal assent to the following bills:

An act respecting the construction of a bridge over the St. Lawrence river near the city of Trois-Rivieres.

An act to amend the Army Benevolent Fund Act.

An act to provide for the rehabilitation of agricultural lands and the development of rural areas in Canada.

An act to amend the Government Property Traffic Act.

An act to amend the Canada Shipping Act.

An act to amend the Food and Drugs Act.

An act to provide for the control of narcotic drugs.

An act to amend the Judges Act and the Exchequer Court Act.

An act to amend the Farm Credit Act.

An act to amend the War Veterans Allowance Act, 1952.

An act to amend the Export Credits Insurance Act.

At six o'clock the house took recess.

AFTER RECESS

The house resumed at 7.30 p.m.

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed consideration of the motion of Hon. Donald M. Fleming (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means, and the amendment thereto of Mr. Benidickson, and the amendment to the amendment of Mr. Regier.

Mr. Granger: Mr. Speaker, when the house rose I was recalling some of the great national projects which had been initiated under previous Liberal administrations. I would mention among others the Trans-Canada Air Lines, the trans-Canada highway, the trans-Canada pipe line and the St. Lawrence seaway. I cannot help but deplore the fact that there does not seem to be provision made in this budget for the development of further great national projects in the near future. I might add that such national projects serve a twofold purpose; they give a boost to the national economy and they develop the cohesion and maturity of Canada as a nation.

It is a matter of regret that there are no great new national projects forecast at the present time because such national projects would more than justify a deficit. The only expansion on the horizon in an expansion of debt without the compensation of expanded productivity.

I should like to make some reference to parts of the budget speech of the Minister of Finance which were devoted to international trade and commercial policies. The minister seemed to reject most of the views of people who have been thinking about Canada's trading problems. I think he referred to them as "counsels of fear and even despair".

The point which I wish to emphasize is that all the discussion regarding the need for fundamental rethinking in Canada's trading position, and the many arguments that have been presented, notably those by the Leader of the Opposition (Mr. Pearson) regarding the need for Canada to recognize and assess the impact of European trade developments, have apparently been rejected as well as the proposal put forward regarding new horizons for Canada's trade. The minister said:

> I do not believe that the economic problems which confront Canada today require a drastic redirection of our trading relationships; or that these problems cannot be overcome by a vigorous pursuit of our present trading policies judiciously adjusted to meet changing world conditions.

The minister made some reference to the prospect of Britain entering the European common market and it seemed to me that he did not think Britain should join that group. On the other hand, it seemed to me that the tenor of his remarks held implications that Britain would be doing Canada a disservice if she joined that common market. If I am right in my assumption that the Canadian government is opposed to Britain entering the European market, I should like to ask what alternative policy or proposal the Canadian government has to offer the British government.

If Britain considers that it is essential to her economy to join the European common market, we should act constructively so that Britain and Canada can strengthen their economies and expand their trade. I suggest the time has come for Canada to show a greater long term understanding of the position of the British government and to attempt to make arrangements whereby she can share the increased prosperity which this move could bring to Britain, to the common market and to the commonwealth.

I believe there is no more important area in which new thinking is required in Canada than in respect to our trading relationship with Britain and the European trade bloc. The Minister of Finance seemed to be neglecting the opportunity which exists to expand our future trading prospects in these areas of the world, and I should like to suggest that he spend some time studying the arguments put forward in this house time and time again by the Leader of the Opposition and others regarding the Atlantic economic community.

The budget of great expectations is already petering out in uneasiness and disappointment. I think it would be unfair to blame all this on the Minister of Finance who, after all, is in the rather unenviable position of operating a cash register in which there is no cash. It was the Prime Minister who, in 1958, sowed the wind and it is now the people of Canada who are reaping the whirlwind. The long delay in the so-called expansionist budget has become, in the words of the Leader of the Opposition, an expansion of wind, word and debt.

Mr. B. G. Allmark (Kingston): Mr. Speaker, I should like to add my congratulations, to those already expressed, to the Minister of Finance (Mr. Fleming) for his very able presentation of the budget. May I say that in this presentation the minister has again shown that quality of good judgment he has always exhibited since first occupying this portfolio.

The budget debate provides an excellent opportunity for members who are backbenchers to pass along to parliament the advice and opinions of those whom they represent in their ridings. I would like to commend the ministers on their readiness to turn a sympathetic ear to the problems of the private members and since this receptive attitude exists on their part I should like to take this opportunity to pass along to hon. members on the front benches the comments, praise and criticism of those who live in both the urban and the rural sections of my historic riding.

One of the most frequent complaints concerns the unemployment insurance fund. I know that all Canadians are anxious to help those who are in need but I do think there are areas where we could do more than we are doing at the present time. May I say that many of my constituents are not at all satisfied with the hand-out of insurance funds to those who are not in need. I am sure that the public is not opposed to married women drawing unemployment insurance if it is necessary for them to supplement the income going into their homes, but there are, I find, many who are definitely opposed to married women drawing unemployment insurance when their husbands are taking home $4,000 or $5,000 a year. We know there are thousands in Canada who are doing this and we do not have to look very far for examples of such misuse of the insurance fund.

Possibly because I come from a port on the great lakes I have always supported the Canadian sailor. I have stated on a good number of occasions that as pilots and ship handlers Canadian sailors have no equal. They work hard in the job which has its disadvantages and discomforts. They deserve good pay. But I see no justification for sailors who are making between $5,000 and $10,000 a year receiving unemployment insurance during the winter months. I have friends who are in the top salary bracket and who enjoy the luxury of having their unemployment insurance cheques mailed to them in the winter months. These men are good Canadians; I am sure they do not believe that this is the purpose of the fund. But one cannot expect them to refuse what is lawfully and cheerfully provided.

I have the opportunity which all hon. members do to help many elderly people in my riding. There are many Canadians who do not have an opportunity fully to realize the tremendous blessing which the old age pension is to elderly people. There is, however, an area to which further consideration should be given. There are cases where the survivor of a couple who have made ends meet on both old age pensions finds great difficulty in managing on a single pension. Sometimes extreme hardship has to be faced. It has been my privilege in many cases to assist such people to obtain supplementary assistance from the province and from the municipality. However, in such cases an investigation is made as to means and this adds to the upset state which bereavement has already brought to these people. I would strongly recommend that some method be found to increase the income of such persons without making it necessary for them to appeal to charitable organizations.

The residents of my constituency are extremely grateful for the assistance given by this government to the shipbuilding industry. We are aware that in the shipbuilding trade in recent years and particularly since the opening of the seaway competition from foreign countries has been very keen. Had this provision for assistance not been made we were faced with the loss of those skills which are peculiar to this trade and which would be almost impossible to replace. Thus we were faced with the loss of an important Canadian industry. May I remind the government that there will no doubt be considerable work to be done in the conversion of the best of the old canal ships to a larger and more economic size for use in the new canal and I would ask that consideration be given to the application of this subsidy to the conversion of existing Canadian ships.

No one who has followed the shipbuilding industry has failed to notice the number of times foreign engines are used in ships belonging to the Canadian government. Too frequently we find that these ships are designed so that Canadian marine engines cannot be adapted for use in them, or that they can be adapted only at considerable additional cost. I believe that when it is decided that the Canadian government needs new ships there should be a consultation at the design stage with a committee of government to ensure that the ship was not so designed as to exclude the use of Canadian machinery and equipment. We have in Canada two marine engine manufacturers. One of them is a Kingston plant. The marine engines produced by these Canadian companies are at least equal to those produced by any country and it is shocking to find that on occasions we appear to give preference to engines and equipment produced by other countries. If we believe the "Buy Canadian" slogan, let us make sure that our government ship designers do not prevent us from practising this policy.

Until recent years in my historic riding we were very proud of our transportation

system both by water and and by rail. Kingston is on the main line of the Toronto-Montreal route of the railway. Our passenger and freight service by rail was equal to the best in Canada. Our passenger and freight service by water was also equal to the best in Canada because we were one of the important ports on the St. Lawrence-great lakes system. Ninety per cent of all the ships which passed from river to lake or down from lake to river passed the port of Kingston. But the shipping channel, either through stupidity or design was diverted, under the previous government, to the United States side, missing the port of Kingston. In addition, under former governments, when the necessity for air service became apparent, only a few feeble attempts were made to provide my constituency with this modern system of travel. It is said that the wheels of government turn slowly. But may I say that it is only a little more than three years since the people of Canada elected a government of Sir John A's party and in this short period of time a contract has been awarded which in its first step will provide a connection with the seaway channel to the east. This will permit 90 per cent of the present seaway vessels to use the Canadian side and to pass the port of Kingston. Also in this short period of time the government has studied and realized the need for air service and has granted a licence under which Kingston will have a daily air service to Toronto and Montreal, commencing at the end of this month. I should like very sincerely to thank the Minister of Public Works (Mr. Walker) and the Minister of Transport (Mr. Balcer) for their interest, their sound judgment and their progressiveness in bringing those services to my riding. At this time I should like to say how much I appreciate the assistance of our local council and the businessmen of my riding who took the time to come to Ottawa and efficiently present briefs supporting those necessary services.

At the junction of the St. Lawrence and lake Ontario, where the city of Kingston is situated, there are a number of very beautiful islands. Two of those are large and have a large population of year round residents in addition to those hundreds of people who have their summer homes there. The great problem for those who make their homes on the islands is transportation to the mainland, particularly at the time of freeze-up and at the spring break-up. To cross over the ice in the spring and fall is very hazardous and through the years there has been a tragic loss of life.

There is only one proper solution to this problem, Mr. Speaker, and that is the building of a bridge to span the distance from the mainland to Howe island, thence to Wolfe island and from there to the United States mainland. Unfortunately, the bankers who finance such projects as international bridges assess only the financial returns and attach no importance to the great benefit to those who must make this hazardous crossing in the spring and fall, nor does the loss of life enter into their calculations.

This project has been studied by committees on both the United States and Canadian sides of the river, and, while all agree on the great benefits a bridge would bring to the area, there is also agreement that such a project is impossible without government assistance. May I suggest to the Minister of Public Works that his very capable economic study group under the leadership of Dr. Weeks might well look at this proposal with a view to assessing the benefits which would accrue not only to those who live on the islands but also to the entire area through increased tourist traffic. It does seem to me that here is an excellent opportunity for the government to be of service to Canadians which would result in a tremendous benefit in the development of the area and, what of course is more important, it would save human life.

In the rural area surrounding the city of Kingston the chief occupation of those who are engaged in farming is the dairy industry. We realize that this government has been particularly interested in the welfare of the farmers, and particularly aware that the dairy industry is one which has not received a fair return for its production. While the farmers in my area appreciate the legislation which has been passed by the Conservative government to stabilize farm prices, I should like to impress upon the Minister of Agriculture (Mr. Hamilton) the fact that the dairy industry is likely to continue to have a problem and it is our responsibility to continue to study and improve the conditions in this industry which is so vital to our country.

We in the riding of Kingston are grateful to the Minister of National Defence (Mr. Harkness) for the granting of an additional $100,000 toward the cost of Kingston's sewage disposal program. We also commend the Postmaster General (Mr. Hamilton) for the extension of mail carrier service to the residential areas which lie outside our city.

We are grateful to the Minister of Public Works for his co-operation with Canada Steamship Lines and James Richardson Company in dredging Little Cataraqui bay so as to provide a deep water port for the city of Kingston.

As I mentioned earlier, we are extremely grateful for our air service and the connecting

channel to the seaway. May I, however, remind the Minister of Public Works, who I know has some very close ties with my riding, that he may expect me back in his office shortly urging further port improvements so that the port of Kingston may share in the development of this promising area.

Before coming to the House of Commons I was an employee of a Canadian industry with an excellent pension scheme. However, Canadian workers are aware that even the best of our Canadian pensions have one great weakness; they are not portable. Industrial employees in my riding have discussed this matter of the portability of pensions with me on numerous occasions and I should like to say to the Minister of Finance (Mr. Fleming) that his statement during the presentation of the budget that steps will be taken to deal with this matter will be indeed welcome news to Canadian workers.

In closing I should like to mention a subject which is important to my own riding and the surrounding ridings. While I have admiration for the qualities of the man whose empire I propose to bring to the attention of this parliament, I think it proper that I should level criticism because of the great concern expressed to me by residents of my constituency. I refer to the control of the news media over a wide area of eastern Ontario which is held by one man. Not only does he control the news media in my riding but also in adjoining ridings. Let me be specific. There is one daily newspaper in Kingston and one in Peterborough. This man owns both. There is one T.V. station in each of those ridings. He controls both. There are four radio stations in the two ridings, and of those he controls two. Licences for both the T.V. and the radio stations were granted to this Liberal Senator by the previous Liberal government. This man, whose newspapers pose as being politically independent, had this to say in a speech to the commonwealth press union, reported in the Ottawa *Journal* of June 15 of last year. I quote:

> The new government has appointed a board of broadcast governors which has proved to be very autocratic. This board tells stations what to do and what not to do. How much time to devote to each item. How much profit must be devoted to the development of local talent. Some of us are worried that this might eventually affect the freedom of newspapers.

Here is a man who has gained control of the news media over a large area who is obviously concerned only that this government should not disturb his empire. I believe it is utterly impossible to have freedom of the press, or to have an informed public, when almost 100 per cent of the control of the news media over a large area is held by one man. It is in my opinion impossible for any person to have such a monopoly of the news, such a power to influence people's minds, without using it for his own personal advantage. Frankly, I see little difference between the government controlled press such as exists in some countries and a news monopoly held by one person such as we have in this instance. I believe, Mr. Speaker, that it is the responsibility of the board of broadcast governors and the C.B.C. to take such steps as are necessary to break up these monopolies wherever they may exist across Canada.

(Translation):

Mr. J. P. Deschatelets (Maisonneuve-Rosemont): Mr. Speaker, Tuesday night's budget was introduced under very unusual circumstances. Never had a rendering of accounts to the country been delayed so long. The most surprising thing is that the Minister of Finance (Mr. Fleming) did not attempt to give an explanation or a reason to justify such a delay.

Therefore, the government is responsible for the confusion and uncertainty in which business and industry in general have found themselves since the end of last March, the time when a diligent government usually gives an account of its administration.

The four previous budgets submitted by the present government showed substantial deficits. At times the economy was at a standstill, according to the government, at other times we had come out of a momentary recession, but never in those four years had the Canadian citizen the clear impression that their government was aware of the actual problems and shortcomings of our economy and took appropriate action to correct them.

Last year, for instance, on the basis of a 6 per cent rise in gross national income, the Minister of Finance forecast a surplus of approximately $13 million; yet, last December, we heard that that surplus was to become a deficit of about $350 million because gross national income had not met the minister's hopes.

The Minister of Finance who has already been nicknamed "Donald deficit" by some people, has become our national "Wrong way Corrigan" with his record-breaking deficit of $1 billion forecast for the current year.

That means, that after five and a half years of Conservative administration, this country is $2.5 billion deeper in the red. I am not against deficits as such, because they are sometimes necessary.

I think Canadians, in general, were expecting an expansionist and therefore adverse budget. However, like most of my fellow-citizens, I am deceived because, if it is true

that we will have a deficit at the end of the next fiscal year, we are far from being sure that the program introduced by the Minister of Finance will bring us the expansion he promised.

The Conservative party still bears the mark of Toryism, and in this situation into which we were thrown by this administration I submit that the Liberal expansionist program would have been a hundred times better.

An hon. Member: What program?

Mr. Deschatelets: I must reply to my hon. friend who just interrupted me, that we have submitted a program under which a national tax reduction would have brought immediate dividends to every class of citizens.

The Minister of Finance (Mr. Fleming) and my hon. friends should be reminded here that the working class like others, the humble class, the class of small wage-earners should have been directly considered and protected under this so-called expansionist program, which in fact is mostly based on artificial measures.

This budget is not a budget for the majority of our people who shall still have to be content with a few crumbs that may fall from the table of the wealthy.

The disastrous results achieved so far by the Minister of Finance force us to accept his predictions under beneficium inventorii and I feel that an editorial of the Ottawa *Citizen* of June 21 expressed quite accurately my views in that regard.

(Text):

Mr. Fleming's past performances as a prognosticator being what they are, it is difficult to feel anything but the most profound uneasiness as he offers his new prescription for an ailing economy. The Minister of Finance sounds his usual ringing note of confidence, but the fact remains that he is embarking on a gigantic gamble. It carries the danger if not the outright guarantee of inflation. In this budget, Mr. Fleming frankly goes out to achieve a deficit of some $650 million. This assumes an increase in revenues between now and next March 31 as a result of the stimuli being applied to Canadian business. In any event, the accumulated deficits of the present government promise to top the $2 billion mark before it has been five years in office, which is quite a feat.

Part of the minister's objective is to bring down interest rates. How he expects to do this in the face of such monumental deficit financing, with its consequent effect on the money market, is difficult to see.

(Translation):

And the article concludes as follows:

(Text):

Yet while these features of the budget appear satisfactory as far as they go, the document as a whole is a disturbing one. It is overshadowed by yet another deficit, and while a case may be made out for deficits for pump-priming purposes, Mr. Fleming has become addicted to them as to a drug. It remains to be seen how the business and financial community reacts to the latest in the series. Any outcome of the experiment in manipulation of the exchange fund is unpredictable. Pushing buttons without knowing just what will happen is a risky game.

Canadians will hope that the minister's gamble will turn out all right. It will be unfortunate for the country as well as for the government if it does not.

(Translation):

Everyone is aware of the well-known unbiased and objective attitude of the Ottawa *Citizen.*

Mr. Speaker, following even a superficial examination of the budget, you cannot but reach the conclusion that the Conservative government has been faithful to its past and its Tory spirit.

While radical measures are imperative, we only get words and wind; while a measure of tax reduction is offered, there is nothing for the small wage-earner, nothing for the working classes, nothing for the unemployed, except perhaps renewed concern about the pres- its tory spirit.

The small wage-earner will be the first to bear the brunt of the budget. It is he, in fact, who will have to shoulder the burden of that budget.

As I said earlier, the economy is not like a car. A car can be shifted into gear, its speed can be increased by pressing on the gas, and it can be stopped by applying the brakes.

You cannot do that with a country's economy.

You will also recall the government's lack of judgment in trying to divert to the United Kingdom 15 per cent of our trade with the United States. You will also recall the difficulties that followed that irresponsible statement.

Mr. Speaker, I now come to that new policy announced by the Minister of Finance Tuesday, concerning the exchange rate control. That is one of the main points in the budget.

With that policy, the government hopes to control the exchange rate, even to reduce it, through the exchange fund.

But a report published in *La Presse* of June 21, sets forth a very interesting opinion in that connection:

The minister proposes to reduce the exchange rate.

And the minister goes on:

More than any other policy that could be adopted, a lower exchange rate will be of signal assistance to all of our producers, both in primary and in secondary industries, to those who export as well as to those who sell at home.

There had also been a rather interesting article concerning the budget brought down on March 31, 1960. The Minister of Finance had then made a statement on the same subject in utter opposition to this one.

I quote:

I have seen some references to a demand that the government should deliberately "devalue" the dollar. This kind of talk might have been appropriate when Canada was on the gold standard, or even when it maintained a fixed exchange rate. We have not been on the gold standard for half a century and we have not had a fixed exchange for a decade. An attempt by the government, added Mr. Fleming, artificially to lower the external price of the Canadian dollar would involve sums of money with which to buy up foreign exchange.

The minister added:

It would be a very difficult matter to work out technical controls.

In other words, we would be embarking upon a gigantic financial speculation with no assurance of success.

I have just shown that this new policy is a complete reversal of the minister's former position concerning the exchange rate.

And yet that was what the minister said on March 30 last.

I cannot understand why the minister is saying exactly the opposite of what he was stating last year. I wonder when he is speaking the truth. Was it last year, when he said that the artificial reduction of the exchange rate was bad policy. Or is it this year, when he says that it is sound policy. I must tell the minister that there are a thousand ways of controlling the exchange rate, but there is a way that could prove very bad because of unforeseen consequences, and that way is precisely this artificial method adopted by the government Tuesday night.

Canada is an exporting nation. We must therefore take that into account and adjust our economy in such a way as to achieve commercial expansion and competitive prices on world markets. One must not forget however that we are equally dependent on a great many imported products for our very subsistence. I will mention the most essential ones, those which may be found on every Canadian table: tea, coffee, sugar, etc.

As a result of this change in the rate, our Canadian families should necessarily expect to pay more for imported products. I should like to ask the minister what provisions there are in his budget against such an occurrence? What will happen to the lower and middle classes if there is a sharp rise in the cost of living?

I know of experts who have expressed the opinion that the cost of living index could go up by as much as five points. Regarding this matter I should like to read a most interesting article which appeared in this morning's *Gazette*, that is the June 22 issue, under the signature of Mr. John Meyer. It is entitled:

(Text):

The full cost of budget has still to be figured. Mr. Fleming will have to borrow an average of $100 million a month for the balance of the fiscal year to meet his estimated cash deficit. No provision was made for the $100 million needed for the debt management fund. There will probably be other non-budgetary expenditures which haven't yet been accounted for. The heaviest cost is likely to arise from keeping the dollar at a discount. A total borrowing half again larger than that indicated remains a distinct possibility. Meeting this requirement and, at the same time, reducing interest rates will be a remarkable accomplishment to bring about without inflating the money supply.

(Translation):

Now, I ask the minister: how much will the government have to borrow monthly in order to meet the requirements of its deficits? What will happen to the interest rates which the government is anxious to maintain at a reasonable level? What are the means provided in this budget to maintain those interest rates at a reasonable level? What will happen to the loans of our provincial governments, of our municipalities, past loans as well as future loans?

Shall we be in a position to meet their needs if they are unable to obtain funds on foreign markets, as far as financing is concerned? I am thinking in particular of the Montreal subway project, about which it was reported that financial arrangements were almost completed with the French government, because at that time, Canadian businessmen had been extremely surprised and taken aback when they heard that the Canadian government was unable to supply funds to our own municipalities, which were forced to borrow on foreign markets.

Well, today, with the adoption of those measures, I submit that such financing will place the provinces and municipalities in a very difficult situation, and I ask the minister what provision was made to enable those provinces and municipalities to get the money they need for their projects.

Mr. Speaker, I will not conclude my remarks without saying a word or two about a question which is very close to my heart, because I represent, as you know, a constituency with a majority of workers. I should like at this point to talk about the unemployed, a question which the government tried to keep under the carpet, a question which the government tried to prevent us from discussing because it has neglected for the past two or three years to convene the committee on industrial relations, and I say that it is a shame that this very committee should be the only one to remain inactive when the main problem in Canada, the most important

domestic problem is precisely that of unemployment. We have never been told why the committee on industrial relations was not sitting. Since the Prime Minister takes so much pride in the fact that a great number of committees are sitting, I ask him to explain to the house why the committee which perhaps could have made the most important contribution is precisely the one the government did not want to sit?

Mr. Speaker, under this government, the unemployed have been ignored, forgotten, abandoned. Every month, when the Minister of Labour (Mr. Starr) reports on the unemployment situation in Canada, he uses the D.B.S. figures. He does not use the actual figures that he gets from the unemployment insurance commission. He does not give us either a figure that nobody can question: the number of persons now receiving unemployment insurance benefits. The identity of an unemployed and the number of the unemployed people could give rise to all sorts of arguments, but one fact remains undeniable: on April 30 last, 714,894 Canadian citizens were receiving unemployment insurance benefits.

Mr. Speaker, I suggest that those people are unemployed in a statutory sense, and their number does not include other citizens who have waived their unemployment insurance benefits and whose names do not appear on these lists.

Mr. Speaker, I would like to deal with another matter, and submit that it is a field which comes under the leader of this house. As a matter of fact, it is not the first year that the situation has arisen, I mean that discussion of the labour department estimates is delayed until the last days of the session, probably for the purpose of preventing hon. members from asking the Minister of Labour too many questions. We have the same situation this year. Consequently, I say that the government did, by every means and every possible action, prevent an honest discussion of the unemployment problem in Canada, and I believe that such lack of responsibility with regard to the unemployment situation is the greatest criticism that can be levelled against this government.

Mr. Speaker, I recently asked the minister why the Department of Labour did not call a meeting of Canadian municipalities to give them some information on the winter works program. It is not in the fall that we will be able to interest municipalities in such an undertaking. If the minister told me that the government had greater success this year than last year, I should answer him that he is right, but I would add that, if the winter works program had been made known earlier to the municipalities, we might have employed many more men on those projects last winter.

The Minister of Labour has no excuse for delaying information to the municipalities about the program which he intends to submit to the house for next winter, and I hope that the scope of those projects will be broader. I also hope that the government will pay more than 50 per cent of labour costs under that program so that the lot of the jobless can be improved to some degree.

Mr. Speaker, those are the comments I wanted to make in connection with this budget, and in my opinion its impact has been weakened by the fact that it was submitted by the Minister of Finance at a time when the government has obviously lost the confidence of the Canadian people.

The total popular vote in the last four by-elections, gave the Liberal party a majority. The latest Gallup polls also show a majority in favour of the Liberal party.

It therefore seems high time that the Canadian people are due for a change of administration. It is obvious that such a change is eagerly sought at this time and I do hope that the government will soon give us this opportunity which the Canadian people are so anxious to have.

Mr. Noel Drouin (Dorchester): Mr. Speaker, it gives me pleasure to have this opportunity to give to the house my impressions on the recent budget brought down by the Minister of Finance (Mr. Fleming). He and the government are to be highly commended for their tremendous, magnificent, intelligent, enlightened and detailed work in relation to Canada's economic orientation in the present year.

You will agree, Mr. Speaker, that in a few minutes time, it is impossible to deal fairly with the various aspects and technicalities of the present budget; however, I note that it will benefit every segment of the population and that every economic sector, whatever its level, will enjoy a most satisfactory development brought about by measures which are not artificial but natural and solidly based. Thus the Canadian nation will be assured that its investments have not been left to chance and will not be subjected to the risks of a short and artificial show.

In relation to expenses, the figures that make up the various items of the departmental estimates assure us of a brilliant future on the basis of the past year and of spectacular events we have witnessed and which are known throughout the world.

The present government of this great country, through its genius and skill, has managed to breathe new life into the Canadian people and gain the friendship and respect of the world. It would be grossly unfair to take issue with the expenses in the field of external affairs, because this government has been able, through a mixture of intelligence, diplomacy and occasional severity, to gain for Canada the respect and confidence of every nation.

Mr. Speaker, is this not a fact that deserves to be stressed in this house, when nearly half of the world is sitting on a volcano, when most countries are meeting with competition on the markets, when hunger is a permanent feature of certain countries, when whole populations are without shelter, when others roam the deserts and the deepest jungles in search of a shirt or a pair of shoes, when nations are torn by racial strife, when all those countries are faced with such troubles and have to spend much of their national income on armaments and armies, is it not a fact that we in Canada are fortunate to live under the banner of a provident and enlightened government, considering the size and geographic position of the country. This is a country inhabited by two equally great and proud races who live in harmony; we have managed to gain the respect and affection of our powerful neighbours to the north and to the south. While those neighbours talk to each other over our heads, while our friends to the south say certain things about our friends the Cubans and the Peking government, at the same time Canada's external and trade relations are at the highest possible level, and never have Canada's name and goods been so well known.

I would be remiss, Mr. Speaker, in failing to mention in this house a "comparative" situation in which we have been living and are still living at the present time. I submit that the least mistake on the part of the Prime Minister or his Secretary of State for External Affairs (Mr. Green) would immediately plunge Canada into very difficult circumstances in view of its geographic and highly strategic location. There was nothing that could compare at the time of the Suez incident, because Suez is just a very small spot on the map.

All this goes to show, Mr. Speaker, that Canadians can be mighty proud of the government in power. Statistics have proved time and again that no other people in the whole world have more bread, meat and material for clothes and leather for shoes than the Canadian people.

In this country, we hold the world's record in the matter of housing, with every citizen having more cubic feet of living accommodation at his disposal than people anywhere else in the world. We also use more gasoline for touring than do our neighbours to the south.

There, Mr. Speaker, we have a comparative which the opposition has never had the frankness or the courage to admit in this house.

The Leader of the Opposition (Mr. Pearson) has on several occasions attempted to disparage our country. In referring to *Hansard* for April 18, I find he claims to be the one who enjoys world confidence, and that it is the Liberal opposition whose statements are believed in other countries. It was Voltaire who said:

> Lie, lie; something will always come out of it.

For once Voltaire was mistaken. Of all the opposition's sarcasms, little remains if we consider the enviable position which this country occupies, as a result of this government's energy and vitality.

When opposition members speak in this house they remind me of the devil attempting to preach a sermon. Mr. Speaker, never before has a government shown so much insight and fairness in the distribution of public funds. Citizens at all levels have a share in them.

Never before have so many public works been undertaken; never before have municipalities received so much help and consideration for the promotion of their development; never before, either, have our veterans received better treatment and, there again, never before has a government done so much for the development of a merchant marine and the promotion of shipbuilding in this country. Never before has a government done so much to promote family housing, farm credit, and loans for the recovery of industry in general. And then there is the action taken to encourage the sale of motor cars and the technical training of the unemployed.

A hundred million dollars have been set aside for a survey of the problem of water pollution, a vital problem which so far had been sadly neglected.

We can claim credit for organizing 75 per cent of vocational and technical training. The

Conservative government has shown very special regard for export trade, providing funds for it in amounts never equalled in the past. We have built railroads that have opened new access roads to the development of our national wealth.

I think, Mr. Speaker, that those few remarks will refresh the memory of the opposition. I would like to remind the house that there is an area in the province of Quebec that the government at the time had forgotten. I refer to the constituency of Dorchester which I have the honour of representing in the House of Commons. My constituents are always amazed at the amount of attention they have been getting from a federal government since 1958. Because of its geographical situation the constituency of Dorchester cannot take advantage of certain legislation due to the fact that, like nine out of 10 constituencies in the province of Quebec, it has no adjacent navigable waterways; yet it has benefited from the millions of dollars that have gone to municipalities in the form of public works, subsidies and public buildings. There, Mr. Speaker, is a summary of the activities of a vigorous government, a government that has a sense of responsibility.

I am sure that the people of Canada are quite happy with the new provisions included in this budget, one fully in accord with the political program that the Prime Minister submitted to the people in 1958, and which was endorsed by this nation.

Mr. Speaker, the budget that has been presented to the people of Canada, with a fair balance of fiscal, financial and trade policies, is designed to give fresh impetus to Canada's economy, to develop unused capacity for production, to increase trade and, in this way, to multiply jobs. The result will be increased development of our resources, so that every citizen may get his share of our national economy. That is what this budget holds for the people of Canada. Such is its purpose, a purpose which meets the fondest wishes of the people of Canada.

Mr. Samuel Boulanger (Drummond-Arthabaska): Mr. Speaker, it is not part of my duties to act as opposition critic of the government on financial and monetary matters. However, I have general remarks to make following the budget speech delivered last Tuesday by the Minister of Finance (Mr. Fleming).

The most striking feature is no doubt the announcement of a deficit of approximately $650 million for the fiscal year 1961-62.

While the new measures resulting from this budget will bring about a tax reduction about $100 million, we are wondering, as do the taxpayers, to what extent the economic activity will be increased if we rely on the experience of past years when we had enormous deficits.

The fact is that our deficit in 1958 was $38.5 million; in 1959, $609.5 million; in 1960, $413 million; in 1961, $345 million; while that for the current year will reach $650 million.

If the figures for the 1962 deficit prove correct, and if we add to them a decrease of about $900 million in the unemployment insurance fund and about $160 million in the national defence fund, we get a total deficit of $3,121 million for the four years of Tory administration.

Can we rely on the figures supplied by the Minister of Finance as to the expected deficit for 1962?

Mr. Martineau: Would the hon. member allow me only one question?

Mr. Boulanger: I shall give permission to my hon. friend only when I have concluded my remarks, because I do not think I will be able to say everything I have in mind in the short time at my disposal.

I maintain that we cannot rely on the figures provided by the Minister of Finance since he has never been very good at crystal-gazing. Last year, when he introduced his budget, he forecast a $12 million surplus; it all turned out into a $345 million deficit, or a difference of $333 million, that is, a third of a billion dollars.

We are therefore inclined to feel that if the minister makes the same mistake, it is not a $650 million deficit that we will have but a $1 billion deficit, which means a charge of $750 per family.

We had hoped that, after increasing the already enormous debt load which bears down on each Canadian family, the government would have shown itself fatherly and given us the gift it promised us during the 1957 and 1958 electoral campaigns. In fact, here is the promise the Prime Minister made in Toronto and which was reported in the April 29, 1957 edition of Quebec city's *Le Soleil*:

> The high taxes party has been in power too long, added Mr. Diefenbaker. The present tax structure practically amounts to confiscation and, if it is allowed to go on like this, it will spell the end

of free enterprise. The leader of the Conservative party does not wish to encourage attempts at tax evasion, but had harsh words for government employees who act as spies and tyrants and who, by their action, infringe upon the rights of Canadians.

Not only has the tax burden not been lightened but it has been made heavier.

Mr. Pigeon: What do you think of the excise tax on automobiles?

Mr. Boulanger: What provisions are there in the present budget to help average families?

As the hon. member for Joliette-L'Assomption-Montcalm (Mr. Pigeon) just stated, the tax on automobiles has been repealed; it was to be repealed four years ago. Besides, it is not so much the average taxpayer who will benefit from that provision, because the workers cannot afford the luxury of changing their cars every spring. When they can buy a car, they keep it for seven or eight years.

The government has made possible the manufacture of a slightly heavier cigarette.

But what has been done to enable farmers to benefit from their share of the national income of which we heard so much about during the 1957 and 1958 electoral campaigns?

Mr. Pigeon: Remember butter at 64 cents a pound.

Mr. Boulanger: Mr. Speaker, I intend to keep on with my speech. If the hon. member for Joliette-L'Assomption-Montcalm has questions to ask, I would ask him to wait until I have concluded my remarks.

The government has changed the excise tax on poultry imported from the United States and reduced the rates on secondary products. That is all.

But there is nothing in the budget to make the average working man enthusiastic.

We now have in power a Tory government which takes after the Bennett government of 1930-35.

During the four years and a half of the latter regime, we had the worst depression in our history. It was truly at the time the rule of poverty and of hunger, of which the soup-ticket was so symbolic.

Today the Tory government is resorting to camouflage and fleeting visions. In years to come it will be nicknamed "The Unemployment Party" or "The no one will suffer Party."

Mr. Pigeon: Recent by-elections are proof of the contrary.

Mr. Boulanger: I would like to say a few words about textiles. Here is one industry which felt the ill effects of a revolting policy of inaction.

[Mr. Boulanger.]

Here again promises galore were made by the Prime Minister, the Minister of Finance (Mr. Fleming) and also by many candidates in the 1957 and 1958 elections. They were going to put the industry back on its feet.

What a forceful electoral campaign was undertaken in the areas which depend on that industry.

I remember listening to talks on television by Conservative candidates who today are members for Sherbrooke (Mr. Allard), for St. Hyacinthe-Bagot (Mr. Ricard) and for Richmond (Mr. Dubois).

Their enthusiastic line of talk, backed by the dictatorial Union Nationale, gave them victory at the polls. But since then have we heard anything from them about that industry?

I especially remember a vision of the member for Sherbrooke, in a speech, in 1958, full of recommendations to his government.

Since then, the member for Sherbrooke has kept rather silent in this house on that matter of textiles.

Mr. Pigeon: There has not been a year he did not talk about it.

Mr. Boulanger: He makes himself heard through press releases.

Mr. Speaker, I intend to submit a few specimens of those releases. I will give only the titles.

In 1958 as reported in *La Tribune*, the member for Sherbrooke said this:

Ottawa introduces two changes to solve the textile problem.

Of courses, they were nice changes.

September 10, 1958, he said:

Aid from municipalities sought to save the textile industry—

At a time when the member for Sherbrooke was asking municipalities to cut down taxes and grant special rates on electric power, on November 14, 1958, he wrote an article entitled:

Mr. Allard is preparing a study on textiles.

On November 24, 1958, another spectacular heading:

Seek answer to textile problem.

Nothing yet had been saved.

On December 16, 1959, the press reported:

M.P. asks parliament to inquire into the textile industry. One of the main points, imports.

A few weeks later, that is on January 13, 1960, the Prime Minister (Mr. Diefenbaker) stated:

Higher Japanese exports welcomed.

On March 20, 1960, another item is entitled:

Mr. Allard endorses any measure that could save the textile industry—

Here is what was stated in June 1960 in a report which appeared in *La Presse* under the title:

Textile situation calls for moderate optimism.

Naturally, the situation was deteriorating instead of improving. The hon. member for Sherbrooke did recognize it.

Last year, in July 1960, again according to an article reproduced in *La Presse*, the hon. member for Sherbrooke said:

Ottawa shall have to take action to protect the textile industry.

The situation was not as good as in 1958.

This spring, in March 1961, at the Conservative convention, there was adopted a resolution introduced by Mr. Allard, federal member for Sherbrooke, and seconded by Mr. Andre Langlais, urging the federal government, among other things:

To impose quotas on foreign textiles in the most vulnerable sectors of the Canadian economy.

That is about all the work done by the hon. member for Sherbrooke. After having recognized that the textile industry had been saved, we now hear him say, in 1960 and in 1961, that we must not be overly optimistic about textiles.

Another member, representing St. Hyacinthe-Bagot, referred on some occasions to textile products.

A few weeks ago, he told us, among other things, that 11 new industries had been set up in St. Hyacinthe since the coming to power of the Conservative government.

To whom must we credit that? To him personally or to the municipal council?

His reasoning seems confused. Would he be afraid if he spoke his mind to have a bad reputation as was the case in 1959? We will recall that at that time the hon. member for St. Hyacinthe-Bagot (Mr. Ricard) had said things that had not given satisfaction to a certain textile workers union in the city of St. Hyacinthe. In an open letter to *La Presse*, dated July 8, 1959, the union had this to say to the hon. member:

Trade unionists respectfully suggest that you consult them if only as a courtesy before you talk on their behalf. Besides, the position you took is openly at odds with a resolution adopted at the 1958 convention of the Canadian and catholic confederation of labour.

Mr. Ricard: Mr. Speaker, on a question of privilege. Could the hon. member for Drummond-Arthabaska also read the letter I addressed to that union and in which I explained my position? Would he tell me also whether there was any mention at that time of the increase in unemployment benefits the government had voted for the unemployed, and whether the hon. member was opposed to it.

An hon. Member: There is no question of privilege.

Mr. Dupuis: It is an abuse of privilege.

Mr. Speaker: The hon. member for Drummond-Arthabaska has the floor.

Mr. Boulanger: From that letter of the union leaders in the St. Hyacinthe area, we had to come to the conclusion that at that time the hon. member for St. Hyacinthe was not their spokesman in this house. When he announces that 11 new industries will be established in the city of St. Hyacinthe, I am not sure that he is the spokesman for those industries. He may have more—

Mr. Ricard: Mr. Speaker, on a question of privilege.

Mr. Habel: There is no question of privilege.

Some hon. Members: Order.

Mr. Speaker: Order. Before allowing the hon. member to state his question of privilege, I must point out to him that if he objects because he disagrees with the remarks of the hon. member for Drummond-Arthabaska, that does not constitute a question of privilege. When the hon. member has concluded his speech, if the hon. member for St. Hyacinthe-Bagot thinks that his remarks have been misinterpreted and feels he must correct the hon. member for Drummond-Arthabaska, I shall give him the floor.

Mr. Ricard: No, Mr. Speaker, there is no question whatever of a misinterpretation, only—

Mr. Pickersgill: What is the question of privilege?

Mr. Ricard: —if the hon. member for Bonavista-Twillingate will give me the chance, I shall state my question of privilege which is as follows: he credits me with words that I have not said; he tells the house—

Mr. Pickersgill: This is not a question of privilege at all.

Mr. Ricard: —he quotes remarks I did not make—

Some hon. Members: Order.

Mr. Ricard: —and which are not true.

Some hon. Members: Order.

An hon. Member: The question has been ruled upon.

Mr. Speaker: This is just what I thought. There is no question of privilege in this. Order. The hon. member for Drummond-Arthabaska—

Mr. Boulanger: Besides, the hon. member for St. Hyacinthe-Bagot never did mention the names of those industries. Since he is such a good industrial propagandist, I ask him to tell the house why the number of applications for jobs filed with the unemployment insurance office in his city has gradually increased.

Mr. Ricard: Do you want me to give you the reason?

Mr. Boulanger: And I will quote figures I have taken from the official *Labour Gazette*. On January 30, 1957, there were 2,566 workers looking for jobs. In 1958, on the same date, there were 3,187. In 1959, there were 3,337. In 1960, there were 3,500. On March 30, 1960, there were 3,995—

Mr. Pigeon: Have you any figures going back to when the Liberals were in power?

An hon. Member: Would you please keep quiet.

Mr. Boulanger: Mr. Speaker, I would have liked very much to comment on the attitude taken by the hon. member for Richmond-Wolfe (Mr. Dubois), in whose constituency there are several textile industries, but as far as I know, he never said a word about the textile problem in this house nor through the newspapers. His only merit is to be at his desk when a vote is taken. I am quite willing, in a few words—

Mr. Pigeon: You are cheap.

Mr. Ricard: Pretty cheap in fact.

Mr. Boulanger: —to consider the present situation in the field of textiles. I shall do so fairly quickly.

First of all, if we compare the number of people employed in the textile industry between the years 1956 and 1960, we find a decrease of 9,000. In 1956, the production was 393 million yards; it went down to 340 million in 1960, a decrease of 53 million.

Mr. Martineau: Mr. Speaker, on a point of order. Could the hon. member give us his source?

Mr. Pickersgill: Why?

Mr. Ricard: Why? Because he has piled up a great many inaccuracies.

[Mr. Ricard.]

Mr. Boulanger: The figures are from the cotton institute of Canada, 1960.

An hon. Member: Are you satisfied now?

Mr. Boulanger: Imports rose from 315 million yards in 1956 to 356 million in 1960. So that today the Canadian production is down from 52 to 48 per cent.

I could have quoted many paragraphs from the brief prepared recently by Mr. G. H. Dobbie, president of the Canadian textile association. I will merely quote a few of his remarks. He said:

> Canada is the biggest importer of textiles. If the present rate of production in Canada is maintained, we will have 7,000 more people employed in the textile industry in 1970.

He goes on:

> If the market continues its downward trend at the same rate as in the past, there will be 14,000 jobs less in 1970.

According to Mr. Dobbie, the Canadian textile industry could employ 110,000 persons in 1970, if steps are taken to control imports.

I have here an article published in *Le Progrès du Saguenay*, on October 14, 1960. I quote:

> Sales of Japanese textiles and clothing in Canada reached such a volume last year that they represented an expenditure of $2.38 per man, woman and child in the country.
>
> That makes up an astonishing amount, considering that sales of those Japanese products in the United States only represent $1.50 per head, and 30 cents per head in Europe.

If textile imports from Japan do a lot of harm to our Canadian industry, U. S. imports do no less.

I see that I have to summarize my remarks. An article published in the June 1960 issue of the magazine *Affaires* says this:

> Total Canadian consumption in 1959 was 555 million yards, but the increase only benefited imports. Last year, the United States sold 240 million yards in this country, whereas Canadian textile mills only sold 229 million yards.

Mr. Speaker, this increase in our textile imports from over the southern border is the result of subsidized exports by the United States government. Moreover, it was announced that those subsidies would be increased to a large extent as from August 1, 1961.

The six cents a pound subsidy for raw cotton will be raised to 8½ cents; the 6.84 cents subsidy for cotton yard goods to 9.69; the 7.08 cents grant for finished fabrics will be increased to 10.03 cents and the present subsidy for manufactured cotton goods will be raised to 11.47 cents.

According to the comments of the Canadian cotton institute, this country will never be able to compete with United States imports, which are subsidized to such a large extent.

The position of our textile industry today, is the Conservative government's doing. What can this government do to remedy that situation?

In fact it strikes me as strange that the remedies advocated during the 1957 and 1958 elections cannot be applied today.

Has the government lost heart? Yet, it has available a good way, all set and prepared, which lies in the full enforcement of the anti-dumping legislation, which authorizes the Minister of National Revenue to determine the value for excise tax purposes of goods entering this country.

Mr. Speaker, I would have liked to deal with our secondary industries, like the footwear and electronics industries which are in a precarious position. In fact, we have witnessed last year as we shall witness again this year many bankruptcies in the secondary industry and in conclusion I would like to read a paragraph from a speech made by a great economist, Mr. Coyne himself, the governor of the Bank of Canada who stated—

Mr. Pigeon: Your friend.

Mr. Boulanger: Here is what he said:

> If we produced in Canada all the goods we need and that can be economically produced here, 250,000 additional jobs would be provided for Canadians and we would be using to full capacity the facilities of some of our plants now idle.

Mr. Speaker, I share that opinion. There is nothing in the budget proposals of the Minister of Finance indicating that the governments intends to take steps to stimulate our secondary industries and more particularly the textile industry, the footwear industry and the electric appliances industry.

Several industries have already disappeared; others will move to other countries, as happened recently in the case of the textile industry.

Mr. Pigeon: Mr. Speaker, may I direct a question to the hon. member for Drummond-Arthabaska?

Mr. Deputy Speaker: The house would have to give unanimous consent because the time of the hon. member for Drummond-Arthabaska has expired.

Mr. Pigeon: Would the hon. member for Drummond-Arthabaska be in favour of a customs tariff increase to protect the textile industry?

Mr. Boulanger: Mr. Speaker, I already put forward my suggestions for improving the situation in the textile industry, and that is the application of the anti-dumping act.

Mr. Pickersgill: Promised by the Prime Minister.

(Text):

Mr. Deputy Speaker: Is the house ready for the question? The question is on the subamendment—

Hon. J. W. Pickersgill (Bonavista-Twillingate): No, Mr. Speaker. I thought someone on the other side would have been able to find something to say in favour of the budget but in fact I am not in the least surprised that they are not able to do so.

Some hon. Members: Oh, oh.

Mr. Bell (Carleton): There has been no attack upon it.

Mr. Pickersgill: Apparently they do not want to hear a reflection of what the public is saying about it either because I am being howled down at the present time.

Mr. Thrasher: Quit crying and get on with your speech.

Mr. Pickersgill: If the hon. member for Essex—

Mr. Thrasher: South.

Mr. Pickersgill: —would be quiet and let me I would be very glad to do so. I do not suppose that in the whole of the peacetime history of Canada, and I exclude those days of war when we had a competent minister of finance, there has ever been a budget about which there were such great expectations, as the hon. member for Grand Falls-White Bay-Labrador (Mr. Granger) said earlier today, as there were about this budget, particularly after we had the Grosart advertisement a week ago about this phony expansion that was so different from the alleged restrictionism of the governor of the Bank of Canada. The difference, of course, between the two was that the governor of the Bank of Canada, whether it was the right or the wrong one, had a program for full employment and this government has a program for the maintenance and perpetuation of unemployment which they refuse to regard as existing in the country and which they say is a figment of the imagination of the opposition.

Mr. Bell (Carleton): Does the hon. gentleman adopt the governor's program?

Mr. Pickersgill: No, I do not adopt the governor's program, I am putting forward my own views. I am supporting the program of the Liberal party and, unlike hon. gentlemen opposite, we have a program.

Mr. Lambert: Tell us about it.

Mr. Pickersgill: No, I am going to tell you about your budget. I am going to tell you what the country thinks about yours, but you do not want to hear it. This is, I hope, still a free parliament and I will be allowed to speak about it.

After this great Grosart advertisement of last week, which the Minister of Finance could not conceivably have made up because it was succinct and catchy whereas we know the Minister of Finance and his cold porridge, I knew that this budget was going to be the greatest anticlimax we had ever had in our budgetary history. Whenever you put out this misleading, inflated advertising and then produce the kind of empty package that we got on Tuesday night, you find that the public is let down. This is what happened once again with the present government.

There is another very striking feature about this budget. As I was following the minister in the reading of the budget speech the other night, when he reached page 10 which was about one sixth of the way through that dull, tedious document, I noted the minister had adopted about one third of Mr. Coyne's proposals and I wrote on the margin of my paper, Coyne and water, more water than Coyne. I was surprised to find that I was not the only one who had that reaction. A distinguished member of the press gallery, a particular favourite of the minister's, used exactly the same phrase in his broadcast that same evening, so I am told. I defy any fair-minded person, and when I say that I exclude the Minister of Finance, to go through the budget proposals of the Minister of Finance and find a single item, with one exception, that is not a pale reflection of Mr. Coyne's memorandum. Everything the minister has proposed, not as clearly nor in nearly as good English and certainly not as succinctly or as comprehensively—of course he did not propose a lot of the things in Mr. Coyne's memorandum—is in Mr. Coyne's memorandum.

The one exception is something the minister described only a year ago as a great gamble with the taxpayers' money. The minister said this was dangerous financial speculation. This is the one thing that the minister has produced that Mr. Coyne did not, in some fashion, recommend, and the only thing in this so-called expansion budget. Expansion is undoubtedly the right word, but there is a synonym for that word "expansion",

and the synonym that is generally used in these matters is the word "inflation". We had an inflation of the publicity, and then the air just petered out of the balloon that night as the 58 pages of the budget were slowly, tiresomely and boringly read to this house. The minister steadily lost his audience and several of his colleagues actually slept through it, which perhaps was the best treatment it could have been given. Never before has there been such an anticlimax in our budgetary history. Never before, sir, in any respectable country has a minister of finance erected the fouling of one's own nest into a principle.

It is true that after a war and in other very critical times a few countries have had to depreciate their currencies because they were in dire straits and this was the last possible remedy available. But here we have this pious, sanctimonious, hypocritical Minister of Finance coming into this house—

Some hon. Members: Order, order.

Mr. Pickersgill: —and erecting the fouling of one's own nest into a principle.

Some hon. Members: Order, order.

Mr. Grafftey: You ought to be ashamed of yourself; you know better than that.

Mr. Deputy Speaker: I am quite sure the hon. member for Bonavista-Twillingate would wish to correct one of the epithets he used to describe the Minister of Finance. It is not parliamentary, as he knows.

Mr. Pickersgill: As a matter of fact, I am not quite sure which of the epithets I applied to the Minister of Finance Your Honour would like me to withdraw. In order to save time, I will withdraw any of them if you ask me to do so.

Mr. Deputy Speaker: In order to save time, I might suggest that the hon. member withdraw them all.

Mr. Pickersgill: I would be glad to, sir, with a mental reservation. I will comply with the rules of the house, but as I said the other day when the minister made an attack upon my motives, I could not care less what he thought of me and I was not going to ask him to withdraw.

The minister pretended during his budget presentation that this fouling of our own nest, this use of the exchange fund to get the dollar below par, was something new. Then he let the cat out of the bag during his press conference. Last night in his press conference the Minister of Finance was asked this question by Mr. Michael Barkway, and it is found at page 5 of the transcript I have in my hand:

Between December and the end of May—

That is this year.

—according to the official figures you spent $120 million to move the dollar by 50 cents and it was still at a discount of 1½ points. Now you want to bring it down by a significant amount you say—let's say five cents—

The minister said that he had said a significant discount. The minister did not deny that allegation by Mr. Barkway.

Mr. Fleming (Eglinton): I did not confirm it.

Mr. Pickersgill: We know the minister well enough to know that if Mr. Barkway had not been telling the truth, the minister would have leapt up in that synthetic indignation for which he is so famous in this house. The plain fact is that the Minister of Finance has apparently been using the exchange fund since last December to foul our nest without telling parliament. He has been spending this money; he has been spending $120 million, for which he gave us no accounting whatsoever, for this purpose ever since last December, according to Mr. Barkway's evidence.

Mr. Fleming (Eglinton): Evidence?

Mr. Pickersgill: Now he is going to go on—

Mr. Fleming (Eglinton): Do you call that evidence?

Mr. Pickersgill: Mr. Barkway said that was from the official figures. Does the minister deny that the fund went down by $120 million? If the minister wants to deny it, let him deny it.

Mr. Fleming (Eglinton): It is silly to talk about that as spending, and you know it.

Mr. Pickersgill: The minister says it is silly to talk about spending. The other day I got a friend of mine to go through *Hansard* and make a count of the number of times the minister said "nonsense", "silly" and "rubbish", and when he reached 5,000 he said, "I cannot take it any more". That is a statistic about as reliable as most of the statistics we get from the government, I might say. The minister has told us, in addition to this great claim that he is going to foul our nest, as I call this scheme to depreciate our dollar. The minister's words were very amusing when he talked about Mr. Coyne suggesting something that was contrary to our international financial and trading obligations. The minister knows perfectly well that Mr. Jacobsson has already warned him that tampering in this way with the exchange rate is contrary to the rules of the international monetary fund.

Mr. Fleming (Eglinton): That is a false statement.

Mr. Pickersgill: That is not a false statement because it appeared in the press everywhere—

Some hon. Members: Oh, oh.

Mr. Pickersgill: —and if it had been false the minister would have been the first to deny it.

Mr. Fleming (Eglinton): Mr. Speaker, I am the first to deny it and I say that is a false statement.

Mr. Pickersgill: The minister has his own ideas about what are false statements and I will come to a few more of them before long.

An hon. Member: The hon. member does not care what he says anyway.

Mr. Bell (Carleton): Neither does anybody else.

Mr. Pickersgill: Mr. Speaker, whoever interrupted me was quite right. I really do not care what the Minister of Finance says, and neither does the country, because the country has ceased to have any kind of confidence in the Minister of Finance or his statements.

An hon. Member: What about the by-elections?

Mr. Pickersgill: This is the minister who in 1957, in his first press release as Minister of Finance, said he was going to tackle the tight money situation and end it. Then a year later, when it was embarrassing, he washed his hands like Pontius Pilate and said he had no control over monetary policy. When interest rates started to fall again he said, "I did it with my little hands", and then when the interest rate went up again there was the Pontius Pilate act, "It was the Bank of Canada".

Mr. Fleming (Eglinton): When are you going to start telling the truth, tonight?

Mr. Pickersgill: The minister talks about someone else telling the truth. When one considers what the minister told this house regarding when he learned about Mr. Coyne's pension fund, which he knew about from 1959, and then he talks about someone else telling the truth—

Some hon. Members: Hear, hear.

Mr. Fleming (Eglinton): Mr. Speaker, this is a matter that was raised the other day and you will recall—

Mr. Pickersgill: I have the floor.

Mr. Fleming (Eglinton): On a question of privilege, Mr. Speaker—

Mr. Pickersgill: Mr. Speaker—

Mr. Ricard: Sit down. A question of privilege has been raised.

Mr. Pickersgill: The minister does not like it—

Mr. Deputy Speaker: Order. The minister has risen on a question of privilege. I have to decide whether there is a question of privilege.

Mr. Fleming (Eglinton): There is a point of order here, Mr. Speaker.

An hon. Member: Order?

Mr. Fleming (Eglinton): Mr. Speaker, you will recall that the other day we had the same situation. I made a statement in the house on Wednesday of last week that the first time I heard about the voting of this pension to Mr. Coyne was in the spring of this year. A question was raised; there was an attempt made by the Leader of the Opposition (Mr. Pearson) to throw doubt on that statement and that question was required to be withdrawn.

Mr. Pickersgill: It was not withdrawn.

Mr. Fleming (Eglinton): The record will show that what I have said is correct. It was required to be withdrawn because it was a reflection on an hon. member of the house. Now the hon. member for Bonavista-Twillingate (Mr. Pickersgill) is violating the same rule. He is saying something in relation to a statement made by a member of this house. I say I first learned of the voting of this pension, a vote that was made by the board of directors of the bank on February 15, 1960, in the spring of 1961. The hon. member says I knew about it from 1959. It was voted by the board of directors on February 15, 1960. I suggest, Mr. Speaker, that the hon. member observe the rule that when a statement is made by an hon. member concerning a matter within his knowledge, that statement must be accepted.

Mr. Pickersgill: I will comply with the rules and accept the minister's statement with a mental reservation—

Some hon. Members: Oh, oh.

Mr. Pickersgill: —because I do not believe the minister is that incompetent and I do not believe the minister is that inattentive to his duties, if indeed he had any duty in this matter, which is very doubtful indeed. He seems to have arrogated to himself, not for the first time, a duty that was never given to him by parliament in this matter and has interfered in a matter that parliament never intended a minister of the crown to interfere in. But it is what you would expect from the kind of minister who brought in the "class or kind" legislation excluding citizens from the courts. It is all of a piece with this dictatorial attitude and this "to hell with parliament" attitude that the minister has taken.

Some hon. Members: Oh, oh. Shame.

Mr. Kucherepa: Mackenzie King would not like that statement.

Mr. Pickersgill: Surely, Mr. Speaker—

Some hon. Members: Order.

Mr. Deputy Speaker: Order.

Some hon. Members: Sit down.

Mr. Pickersgill: —no one is so squeamish—

Mr. Deputy Speaker: Order. I hear hon. members calling order. I appreciate that the hon. member may be using words which are not too proper, but they are not unparliamentary. However, I would say that they do not add to the dignity of debate.

Mr. Pickersgill: Nor, sir, do I think the minister's attitude to parliament adds very much to the dignity of parliament. He has consistently treated this parliament with the utmost contempt.

Mr. Fleming (Eglinton): No, just you.

Mr. Pickersgill: Nothing, sir, bothers me less than the minister's attitude to me; but I notice that my attitude to the minister does seem to get under his skin almost all the time.

Mr. Fleming (Eglinton): Don't flatter yourself, old boy.

Mr. Horner (Jasper-Edson): Something is under your skin.

Mr. Fleming (Eglinton): The hon. member for Bonavista-Twillingate should not talk about things under the skin.

Mr. Pickersgill: The plain fact of the matter is that we know the minister is not at all a free agent any more. No other member of this government is a free agent. What we have—and we had a beautiful display of it last night—is a one-man government in this country with a lot of little boys running errands, and none of them has been running more unpleasant errands than the Minister of Finance has had to run in the last few weeks. But we know the source of all this—

Mr. Bell (Carleton): This is just plain hysteria.

Mr. Pickersgill: I beg your pardon?

Mr. Bell (Carleton): This is just plain hysteria.

Mr. Nesbitt: The man in a white coat is coming soon.

Mr. Pickersgill: As a matter of fact, the hon. member for Carleton (Mr. Bell) speaks more truly than he knows, because I was just about to read from the Prime Minister's broadcast of last night and I do not think a more apt description could have been found by me.

Mr. Fleming (Eglinton): He was talking about you and the way you are carrying on; you must understand that.

Mr. Pickersgill: Perhaps the hon. member for Carleton can speak for himself without help from his little boss. For the benefit of those—

Mr. Fleming (Eglinton): The big man talks.

Mr. Pickersgill: —who did not hear it or see it last night, it began:

My fellow Canadians.

Well, I couldn't do justice in imitating it, you know:

Four years ago today following your mandate—

Of course, he did not get a majority:

—I was called upon to be Prime Minister of Canada and naturally—

Naturally, all right:

An hon. Member: Naturally you won't forget it.

Mr. Pickersgill: The Prime Minister said:

—I look back on the intervening years with feelings of satisfaction and humility this evening.

That was 99.44 per cent satisfaction and the rest of the fraction humility, sir. Then, sir, the Prime Minister told us how he carries on the government of this country.

Mr. Grafftey: Now give us Uncle Louie.

Mr. Pickersgill: This is the Prime Minister's conception of a duty of a prime minister.

Mr. Pallett: Picky-picky.

Mr. Pickersgill: The Prime Minister said:

Above all else I am thankful for the opportunity given me to serve my fellow citizens to the best of letters—thousands of letters I have received, every-And throughout the period of time, while there have been ups and downs I have been sustained by the encouragement of so many of you in your letters—thousands of letters I have received, every one of which I have read.

Some hon. Members: Hear, hear.

Mr. Pickersgill: Now, sir, I served for 16 years in the Prime Minister's office and I know how many letters come to the Prime Minister's office and I know that any prime minister who spends his time reading all the letters that come to his office is not earning his salary and is not administering the affairs of the country. That is precisely what has been happening in these last four years.

An hon. Member: Don't you wish you got them?

Mr. Pickersgill: You don't like it, do you? No prime minister who is responsible—

An hon. Member: Crystal ball.

Mr. Deputy Speaker: Order. May I recall to hon. members that it is not permitted to interrupt the hon. member who has the floor.

Mr. Pickersgill: I was saying that no prime minister who has the responsibility for the welfare of 18 million people has any right to spend hours every day reading letters from the few hundreds out of those 18 millions who write those letters. If he has any sense of duty and any sense of responsibility and any appreciation of the many burdens and the urgent problems of that office he would not be wasting his time reading thousands of letters which an efficient secretariat could deal with as they have been dealt with in the past in a perfectly competent way. Of course, I do not believe for one moment that the Prime Minister meant that statement to be taken literally. He merely meant that each individual should think that he read his particular letter. No prime minister could possibly read all those letters.

Mr. Pallett: Would the hon. member permit a question? Does the hon. member for Bonavista-Twillingate read the letters he receives?

Mr. Pickersgill: No. I do not read all the letters I receive, and—

Some hon. Members: Oh, oh. Shame.

Mr. Pickersgill: —neither does the hon. member for Peel, nor any other member of this house. I suggest that a very high proportion of the letters which come to our desk go where they ought to go—right into the wastepaper basket.

Some hon. Members: Oh, oh. Shame.

Mr. Deputy Speaker: Order.

Mr. Pickersgill: We are supplied with secretaries for the purpose of winnowing all this stuff which is sheer propaganda from the real letters. I use mine, and they should be used by every other conscientious person who has a sense of responsibility as a member of parliament to all the people of Canada or to all his constituents.

Now we come to the next statement in the Prime Minister's document to which I wish to refer. The Prime Minister said:

Some of the current headlines concerning views on fiscal and monetary policy have pointed to an aspect of blocks—

I do not feel I have to apologize for the English or for the syntax.

—an aspect of blocks in the path of progress that can defy even the most patient and persistent efforts.

You can imagine the most patient and persistent effort on the part of the Prime Minister—between letters.

The case of the governor of the Bank of Canada is now out in the open where it can be thoroughly discussed and assessed in the light of all the facts.

That was said last night. Yesterday morning the Prime Minister voted against two motions to provide us with the facts out in the open and he used his majority to keep those facts away from parliament.

Some hon. Members: Order.

Mr. Deputy Speaker: May I just caution the hon. member that it is not in accordance with the rules to question or discuss votes taken in this house.

Mr. Pickersgill: I was neither questioning nor discussing the vote. I was pointing to the fact that a vote had been taken.

Mr. Fleming (Eglinton): You were reflecting on it.

Mr. Pickersgill: I was certainly reflecting on the Prime Minister. I was reflecting on the kind of leadership the Prime Minister gave. In the morning he denied the facts to parliament and in the evening he went on television and said we had the facts. Do you believe him in the morning or do you believe him at night?

The Minister of Finance refused to answer straightforward questions put by my hon. friend from Welland (Mr. McMillan), straightforward questions about which the minister himself had made his own statement in parliament before those questions were put on the record. He refused to answer because he knew the answers to those questions were very embarrassing to the government.

Mr. Fleming (Eglinton): Not a bit.

Mr. Pickersgill: The answers to those questions would have revealed conclusively that the statements made by the minister were not in accordance with the facts.

Mr. Fleming (Eglinton): That is a false statement.

Mr. Pickersgill: That is why the minister would not do it. But the minister did answer one question. He threw a little light on the subject in answering one question. He disclosed one of the facts, and let me show the house how he gave that fact. The minister was asked this question. He was asked by the hon. member for Hull (Mr. Caron):

Did the Minister of Finance at any time receive from Mr. John Bassett, publisher of the Toronto *Telegram*, a suggestion that the government should seek the resignation of the governor of the Bank of Canada?

And here is the way in which this simple, straightforward question, which called for the answer yes or no, was answered.

An hon. Member: You say so.

Mr. Pickersgill: Well, I will read the minister's answer. I am always fair to the minister. Here is the answer:

Not in any formal sense.

The minister knows perfectly well that in the presence of a good many witnesses Mr. Bassett assailed him because he did not have the courage to fire the governor of the Bank of Canada. And knowing what we do about the courage of the minister—

Mr. Fleming (Eglinton): That is a false statement.

Mr. Pickersgill: It is not a falsehood and the minister knows it.

Mr. Fleming (Eglinton): I said it was a false statement.

Mr. Pickersgill: The witnesses can judge that. That happened and the minister knows it happened.

An hon. Member: How do you know?

Mr. Pickersgill: The minister also knows that Mr. John Bassett, a favourite of this government, the owner of a powerful newspaper, apparently has more influence with the present government than parliament has in matters of this kind.

Of course, this is all part of a pattern. With this government there is one principle of government—a head every three months. Heads must roll. The head of the government has to have heads, one after the other. Off with their heads. Off with his head. I have not time to go into the list of them. We recall, of course, the time when the Minister of Justice (Mr. Fulton) was humiliated over the R.C.M.P. and we lost the head of the commissioner. Now we see what is happening here, and I suggest, sir, that the next head that will roll will be the head of the Minister of Finance.

Mr. Deputy Speaker: I am sorry to interrupt the hon. member but his time has expired.

Mr. Pickersgill: I trust, Mr. Speaker, I was given allowance in respect of all the interruptions that were made.

Some hon. Members: No.

Mr. Deputy Speaker: It would have been very difficult to calculate, as the hon. member realizes. I do not think the circumstances permit that being taken into consideration. Is the house ready for the question?

Mr. Hellyer: Mr. Speaker, perhaps the house would give the member for Bonavista-Twillingate unanimous consent to continue.

Some hon. Members: No.

Miss Judy V. LaMarsh (Niagara Falls): Mr. Speaker, this is the first opportunity I have had to speak in this house after hearing a full budget speech. That occasion was, Mr. Speaker, one of the most disappointing which I have experienced in what is already too long a life time. We had expected, those of us in the country—

An hon. Member: Oh, you are not that old, Judy.

Miss LaMarsh: —after waiting and waiting for months, and after having been informed since last fall that the country had not seen anything yet, and after waiting since that stillborn of the twentieth of December last—the baby budget—that by the time the minister presented his full budget, that baby of his this spring, the government would finally after four years have arrived at the point where it had in fact a policy. Alas, the people of the country are left as a woman is left in the lurch waiting at the church.

Some hon. Members: Oh, oh.

Miss LaMarsh: We are as confused and angry now as all hon. members will realize an unfortunate person would be in that position. This results from the same sort of false persuasion, the same sort of faith and trust, but in this case in a nation of more than 18 million people, this results from four years of pumping them full of advertising, pumping them full of expectation and hope.

Last year this parliament was told in March, when the minister brought down his budget, that what he was reporting on that evening was the result of 18 months serious study and planning. At that time he said, as reported in *Hansard* of March 31, 1960, at page 2681:

> The position we have now reached, with its sound prospect of a fully balanced budget, represents the fruits of carefully designed policies carried forward over the past 18 months. This is not something that has just happened. It is the result of considered aims and efforts.

I should like to underline the words "considered aims and efforts" which brought three quarters of a million Canadians to unemployment in the years since then.

This government has demonstrated that it received a mandate on the hopes of the people that this government would have the vision to carry Canadians forward to the greatest prosperity in their history. Instead, what have we? We have a return of the dirty thirties.

Some hon. Members: Oh, oh.

Miss LaMarsh: We have drought in the west which is deepening; we have insects in the west, far more than we have here.

An hon. Member: Yes, we have a few here.

Miss LaMarsh: In the west—

An hon. Member: I resent that remark.

Miss LaMarsh: In the west there are grasshoppers and drought, yet in this parliament this Minister of Finance (Mr. Fleming) and the Minister of Trade and Commerce (Mr. Hees) have been trying, without the use of the phrase, but with the use of the same old Tory policy, to blast their way into the markets of the world.

An hon. Member: Have one for me.

Miss LaMarsh: Many of the members of this house were children, as I was, during the last depression and they know what Tory policy brought to Canada then.

Mr. Fleming (Eglinton): Nonsense.

Miss LaMarsh: It is current in the country now that Tory times are hard times. This government has more power than any government has ever had in Canada's history. This government cannot escape any of the responsibility for what has occurred in the last four years.

Mr. Fleming (Eglinton): That is utter nonsense.

Some hon. Members: Hear, hear.

Miss LaMarsh: There are in this house 200-odd supporters of the government. I admit that their main contribution is represented by the kind of aside I have been listening to for eight months in this house, and that is a shame to the institution of parliament.

Some hon. Members: Oh, oh.

Miss LaMarsh: Those individuals who come to represent their ridings, come into this house to make a contribution through debate, and not—

An hon. Member: We at least read our mail.

Miss LaMarsh: —to make the sort of asides and irresponsible interjections that many members are now making.

Mr. Skoreyko: You came here to fight the election.

Miss LaMarsh: This is a parliament; this is supposed to be a forum for debate, not a political arena.

In the time since this government took power it has had but one purpose, and that is to seek and retain power again and again.

Mr. Grafftey: Oh, no, we have no Mackenzie Kings in this parliament.

Mr. Pickersgill: You certainly have not.

Miss LaMarsh: This government has inveigled the people during "buy" elections, and with respect, Mr. Speaker, for the purpose of assisting the *Hansard* reporter I should like to spell that first word: "b-u-y" elections. In every instance, at least in 1960 and 1961, the policy which this government put to the people in the by-election was one of attempting to purchase the votes. In three recent instances this did work, but in one other instance it did not. In those by-elections just concluded the Minister of Finance did not participate. Nor in one sense did the Prime Minister (Mr. Diefenbaker)—

Mr. Skoreyko: They did not have to.

Miss LaMarsh: —although his image appeared on television immediately before, and assistance was given by someone close to him. Other ministers of the crown went out in the by-elections and offered to buy the voters.

An hon. Member: Order.

Miss LaMarsh: There was the Minister of Agriculture (Mr. Hamilton) and the Minister of Veterans Affairs (Mr. Churchill), and there was that master of sweetness and light, the Minister of Public Works (Mr. Walker).

Mr. Drysdale: What were the predictions before the by-elections?

Miss LaMarsh: They went from one riding to another. Ministers went into the province of New Brunswick and in the first instance they offered them a cabinet seat, and told the people there that if they did not elect the Conservative candidate they would not have anyone in the cabinet. They came into my riding and offered defence contracts; they went into the riding of Peterborough and they offered contracts there; and they went into the riding of Leeds and offered public works projects. Nowhere in Canada, Mr. Speaker, have they offered decent responsible government.

This government has been toying with the people as a cat toys with a mouse. When this government goes to the people in a general election it will find what the people think of it and its policy.

Mr. Skoreyko: Mr. Speaker, may I ask the hon. member a question?

An hon. Member: Sit down. Give the lady a chance.

Miss LaMarsh: Mr. Speaker, we have in this country a feeling of unrest, and since I have been a member of this house I have heard the responsibility for that charged to a number of people, and in particular by those who sit opposite the treasury benches. The Prime Minister and the Minister of Finance, and others on the treasury benches, have gone on television and radio and out in the hustings and have told the people of the country that we in the official opposition were the ones that cast doom and gloom and caused the uncertainty and unrest. That was until recently; but now it is claimed that the Bank of Canada and its governor caused all this unrest.

Some hon. Members: Oh, oh.

Mr. Pickersgill: They always have an excuse.

Miss LaMarsh: Recently it has been suggested that it was the president of the Canadian National Railways who has caused all this uncertainty. I am told that previously it was the chairman of the film board. There have been other persons accused; someone else was always responsible.

Then, if you read the minister's speeches on budgets—which I had occasion to do last night—since he took over his office you will see that he blames the rest of the world. We in Canada are having the greatest government we have ever had. The rest of the world does not seem to appreciate that. In my lifetime, Mr. Speaker, I have been proud of Canada, proud of its reputation around the world for stability and for good government. I am no longer proud.

Mr. Grafftey: Shame!

Miss LaMarsh: In the past four years this government has succeeded where no one in the world would have believed it possible. Yes, it has succeeded in alienating our two greatest friends, the United Kingdom and the United States of America.

Mr. Grafftey: Of course, that is not party politics.

Miss LaMarsh: This country gave a mandate to this government second to none that had ever been given to any government, and the government then went to the United Kingdom and shook its finger under the nose of the prime minister of that country and said, "Oh, no, you will not join any economic union in Europe and we in Canada will not". Indeed, we will not join any economic union; we will sink alone.

An hon. Member: What rot.

Miss LaMarsh: We wonder why the Canadian people are restless and afraid. Why do they have no confidence? Why will they not invest their money in Canada?

An hon. Member: Three out of four by-elections.

Miss LaMarsh: Why is it that the other countries of the world are afraid of Canada? Why is it that when this Minister of Finance makes a speech the Canadian dollar plunges? Why is there chaos in the financial world? Why is it that the private and public corporations of this country are in a state of confusion and anxiety? Why is it that the municipalities of this country are unable to prepare their budgets? Why is it that hon. members of this house are unable to go back to their constituents and say that this is a solid, responsible program? It is because, first, this government delays the budget and then beats the drums so that the people believe there will be real assistance to the economy and then they drop the people.

The municipalities, hydro, the provinces, had to borrow money in the last couple of years outside this country and the Minister of Finance knew it very well. They had to because all of the money in the market in Canada had been sucked up by this government. Now they are left with nothing but a devalued dollar with which to pay this off, and again it is the taxpayers who pay. This Minister of Finance said last year—and it can be seen in black and white—that the dollar would not be devalued. It is a most incredible somersault to find that he can come back to this parliament in a little over a year after saying what he did in the flattest most unequivocal language, which he used in March, 1960. It was obvious then that it could never be contemplated that the Canadian dollar would be devalued by government manipulation. But this minister has come back and unblushingly done it. He has done it to a point where no one knows where it will end. He has not indicated whether it will be 2 cents or 20 cents or just what it is he wants. The people of this country do not know what this government will do because it has followed, if anything, a policy of lurching from crisis to crisis. It has not in the four years since it has been in office had any plan, any policy. Oh, yes, I remember the Prime Minister said in a speech to Conservatives last fall, which was widely reported, that up until that time the ministers of the crown had been learning their jobs. It might have been better for the country if after three years in which they could not learn their jobs the Prime Minister had tried out some of those other gentlemen to my left.

Mr. Skoreyko: Does the hon. lady not realize that the people of Canada, after 22 years of Liberal reign, have learned to distrust federal governments and they are just now able to recognize a good government after 22 years?

Miss LaMarsh: I do not think this is a matter of privilege; however, it depends on Your Honour's ruling. I may say that what the hon. member says may have an element of truth in it. You see, up until 1957 the people of Canada thought it was an easy thing to govern federally because before that time they had a good government. It looked easy. But they have found that easy or not, it is too difficult for those across the way.

There is one thing, Mr. Speaker, which has caused this feeling of lack of confidence in this country, and I charge to the government as a deliberate planned proposal, the only one they have had. I refer to a plan originally conceived to keep the opposition in a state of alarm, but with the highly unhappy consequent circumstance of keeping the country in a state of alarm. They have cried "wolf"; they have cried "election". This has happened in respect of every proposal they have brought in, every time there has been a suggestion that it was not a perfect proposal. Every time anything has been put before them the Prime Minister has stood up and wagged his chin, and the Prime Minister's seat mate has stood up and wagged his finger, and they have threatened to take us back to the country. I can only say, Mr. Speaker, "Take us to the country". How gentlemen opposite will then find out what the feeling of the country is—

An hon. Member: You found out at the beginning of June.

Miss LaMarsh: —with respect to the trifling proposals which were placed before us on Tuesday night.

Mr. Jones: Is the hon. member speaking for her party when she makes that remark?

Miss LaMarsh: I am a member of my party. I know they are people of courage, that they have been responsible for a great government and will be again shortly.

Here we are, Mr. Speaker, in a situation where the people do not know where to turn. We are now in June. Last August we had the worst unemployment figures in Canada's history. I prophesy, not as a matter of doom and gloom, that they will be greater still in the coming August and this is a frightening prospect for a country which reaches a condition approaching really full employment—and by that I mean a condition in which no one who wishes to work is out of work—only during the full summer months. We are not able to do anything about our

climate. This government has abandoned its right; it has abandoned all the tools which it has to use.

You will recall, Mr. Speaker, that we had the baby budget, this deformed child, last December, and that following it there was the provision introduced by the Minister of Labour, I believe, to assist areas which were called areas of surplus manpower. That provision was very nearly laughed off the statute books by the people of this country. It was said at that time to be a tremendous assistance for new industry; so tremendous that now in the new budget we have had another proposal of much more major importance to apply all across the country.

Well, perhaps I should not too harshly judge those on the other side. There was a member of the treasury benches—now unhappily no longer a member of this house but of the other place—a former secretary of state, who said in 1959, perhaps in justification for this government's past and future actions, as reported at page 2961 of *Hansard*:

> We did all that could be done. Of course, our methods can be questioned . . .

If I understand the rules, Mr. Speaker, it is not proper in this house to question the bona fides, the good intent of hon. members opposite. I cannot question motives but I would expect that every person who has been honoured with a seat in this venerable house, no matter for how short a time, would be a man or woman who had the greatest benefit for Canada at heart. But there are more things necessary than good intentions, Mr. Speaker, and I am told there is a road to a certain place, not the other place, which is paved with them. It is not sufficient to take office and to have good intentions. If this government has given up, if it cannot or if it will not introduce proposals in this house to be of assistance to the country and if it will not do so soon, then I ask that the government and its supporters go back to the country to receive the judgment which they so richly deserve.

(Translation):

Mr. Yvon Dupuis (St. Jean-Iberville-Napierville): Mr. Speaker, first of all I wish to remind the house that a year ago today the province of Quebec escaped from bondage and freed itself from the Duplessis dictatorship. I am glad to point out to the house that the people in Quebec tonight and since last June 23 are finally enjoying freedom under a democratic administration.

Mr. Speaker, we have just heard speeches delivered by opposition members. I have the privilege of being the third speaker in a row from this side of the house and I am pleased to note that the government side seems to be lacking in fighters. Of course, if I had to come to the defence of the Conservative party and of the budget introduced by the Minister of Finance, I should also be most reluctant to rise in this house. But fortunately, Mr. Speaker, I am speaking on behalf of a riding whose constituents had foreseen, as early as 1958, that it would be a pity to vote for the Conservatives and tonight we note once again, during the discussion on the budget submitted by the Diefenbaker government, through its Minister of Finance, a fourth deplorable deficit in four years of administration.

If the deficit could be explained by important accomplishments on the part of the government, like all other members of this house, I could admit the existence of a deficit. But four deficits without solving any of the present problems, nor any of the problems resulting from a bad Conservative administration since 1957, that is too much.

Mr. Speaker, in order to find years comparable to those we are now going through, we must go back to the years of Borden, Bennett and Diefenbaker—the three BBD years of Canada, Bennett, Borden, Diefenbaker—years of darkness, of carelessness and of decline for this country.

Well, Mr. Speaker, the greatest confusion was reigning in the house a while ago; indeed, order has not yet been restored. Not only are the Conservatives unable to stand up in defence of their budget but they constantly interrupt members of the opposition who do their duty in this house. By the way, I would say that they could at least have the decency of listening attentively to a representative of the fair sex. When we, on this side of the house, have the opportunity of hearing a woman from the other side, we listen carefully and respectfully as should always be done towards a woman.

Well, Mr. Speaker, the member for Niagara Falls (Miss LaMarsh) fortunately succeeded in expressing the views of her constituency and she did her duty when she said that the people of Canada are most deceived with the present administration.

I was speaking of years of confusion. Naturally, that is not the Conservatives' fault. When things go badly, the previous governments are always to blame. When things go wrong, the member for Joliette-L'Assomption-Montcalm (Mr. Pigeon) holds the C.B.C.

people, the C.N.R. people or the Bell Telephone people responsible for all the government's wrongdoings. The government is looking for victims right and left; it is Mr. Coyne who is to blame, or Miss Judith Jasmin of the C.B.C., or Mr. Rene Levesque, or Mr. Alphonse Ouimet, or Mr. Donald Gordon. All those heads have to be cut off to prove to the Canadian people that someone is to blame. Well, Mr. Speaker, I say to the hon. member for Joliette-L'Assomption-Montcalm, who is a very sympathetic fellow: Stop looking for heads; if you wish the country to prosper, cut one head off, that of your present leader. Vote Liberal at the next election and all problems will be solved.

Mr. Pigeon: That would be a disaster.

Mr. Dupuis: Mr. Speaker, I am speaking of confusion. In the whole history of our country, have you ever seen a government change its mind so often. The Minister of Finance is always either retracting or contradicting himself. I said a while ago that I did not expect to speak tonight because I thought some of the hon. members opposite would show some fighting spirit. Looking over to the other side, I tried to find traces of this change of mind, this change of opinion, this whirlpool of uncertainty to which we are used and which is characteristic of the Conservatives.

The present Minister of Transport (Mr. Balcer) was tried about everywhere: solicitor general, secretary of state, minister of transport.

The minister of transport was shifted to trade and commerce while the minister of trade and commerce (Mr. Churchill) was being transferred to veterans affairs.

The minister of veterans affairs was sent to the Senate.

The same was done with the secretary of state, and for good reasons, he was such a sick man.

As for the minister of agriculture, he was given national defence.

The minister of national defence was sent somewhere else and he is now lieutenant governor in a province.

Then the minister of northern affairs and national resources was moved to agriculture while the minister of agriculture received the national defence portfolio.

There you have the only changes made. There is no mistake about it, the more it changes the more it is the same.

It shows what a wash-out this government has been for the country.

Mr. Speaker, as I was saying, to shuffle ministers and transfer them from one department to another is no solution to the problem facing this country. The way to settle this problem is not to transfer ministers but to invite members of the opposition to sit to the right of the Speaker and to allow clever men like the hon. members for Bonavista-Twillingate (Mr. Pickersgill), for Essex East (Mr. Martin) and for Laurier (Mr. Chevrier) and others to play the part that is theirs, and to give to the country the Liberal prosperity which was so appreciated.

Mr. Speaker, for the last three years, even four years, we have been watching the Minister of Finance (Mr. Fleming) and hearing him explain his policy.

In 1958, for example, the Minister of Finance was saying that he had just come into the legacy left by the Liberals, that he was new to his post.

He would then explain to the house and the public that it would take time to reorganize his department according to Tory pattern and to put the country back on the road to prosperity.

In 1959, the Minister of Finance comes forward with a deficit. His explanation: it is obvious that we are having a slight recession: but next year, things will be better, finance will be reorganized, the situation balanced and we will present concrete results.

1960, 1961: deficits. But now, the blame is on Mr. Coyne, the fault lies with Judith Jasmin, Rene Levesque, Alphonse Ouimet, Donald Gordon. Even the Bell Telephone is to be blamed, it is a bad company.

If our economy lacks stability, those people are certainly not to blame, but the fault lies with the present Prime Minister who asked the people's trust in the general election campaign of 1958.

He never said that, if elected, he would not be able, because of the persons I just mentioned, to solve the problems in four years. He said: Trust me. I will take the job.

He said: As long as I am Prime Minister, no one will suffer, deficit or no deficit.

Mr. Speaker, tonight we must remind him of his promises. We must tell our friends opposite that people are suffering from unemployment at this very moment.

We have to remind the Prime Minister that he did not fulfil any of his promises.

We are forced to remind the Minister of Finance that he should have organized what is now called his economic expansion pro-

gram, four years ago, in order that we could at last feel its beneficial results, if there are any to expect from his budget proposals.

But no, Mr. Speaker. In 1958, the hon. member for Essex East (Mr. Martin) rose in this house to ask the government to kindly consider the problem of the automobile industry in Canada.

In 1958, 1959, 1960 and 1961, the hon. member for Essex East recalled that in his native city of Windsor, as well as in the major cities where cars are being made, there was some slackening in business and unemployment, because the government admitted foreign cars into Canada, and did not protect the Canadian car market.

This government has been aware of that situation for four years—four years during which we have seen the automobile industry going into a slump; four years during which we have seen our car plants laying off thousands of employees, who swelled the numbers of unemployed in Canada.

At that time, the Minister of Finance could find no solution to the problem.

But, feeling that elections are now in the offing, he suddenly finds, after four years of administration, that it might perhaps be wise to listen to and put into practice the suggestions made by the hon. member for Essex East.

Yes, Mr. Speaker, the 7.5 per cent tax should be abolished, but unfortunately, it is a bit late to do so.

Now that the automobile industry has laid off a considerable number of workers; that the European car market has been organized on a solid basis throughout the country, it may be a little too late; it would surely have been easier and wiser to put those proposals in effect as soon as they were announced.

What about the pitiful situation of the textile industry in this country?

Not only Liberal members, but even Conservative have, for the last four years, urged the government to adopt economic measures to protect that industry.

What has the Conservative government done? They turned a deaf ear.

There was no known solution, no possible means. We were facing competition against which we could do nothing.

Then, all of a sudden, after four years, the Minister of Finance says he has found means to assist the textile industry, at the very moment it is dying.

I could also, Mr. Speaker, talk about the dollar problems.

While the Minister of Finance said two or three years ago that it was absolutely impossible to devaluate the Canadian dollar, because it would have created a terrible economic chaos, the same Minister of Finance after rejecting that suggestion during four years of administration comes out this year with a broad smile and tells us that it is wise to devaluate the Canadian dollar.

No wonder we are disappointed and that the people of Canada are also disappointed, profoundly disappointed with the budget.

We do not believe the Minister of Finance has the confidence of the people, after making, as he has, year in year out for four years, promises that he has not kept at any time or in any way.

Mr. Speaker, we are now faced with an intolerable situation. Our economic situation is far from being enviable. On the contrary, it deteriorates from day to day.

Therefore, I urge the Minister of Finance to cease claiming he has found the solution to this problem, when he fails to take the necessary steps to do so.

He has brought forward nothing that could help the Canadian economy.

All across the country, people were expecting a general federal election as early as next September.

Mr. Speaker, I am not one of those who entertain this view.

This government is a Tory government, an historically and fundamentally Conservative government.

The Hon. Mr. Borden clung to power as long as he could before being defeated. The Hon. Mr. Bennett extended his years of office as long as he could before being defeated.

This government will do just the same and will extend its administration until March or April 1963, when the people of Canada, after five years of suffering and enduring, will finally free the country from this lame administration that we now have had for four years.

What have you done, my Conservative friends, of those famous public works projects that you announced in all corners of the country? One billion dollars of public works. That was the promise the Prime Minister made everywhere in Canada.

What have you done, hon. gentlemen of the government? Absolutely nothing.

The government say that they want to solve the unemployment problem, but they do nothing to this end.

We, in the opposition, have submitted several suggestions to the government for several years now. Had the government been

serious, they would have listened to us and now, instead of being in an unemployment period, in a period of uncertainty, and instead of experiencing an unhealthy economy, we would have restored the financial situation of this country and we would be living in happier years.

Mr. Speaker, we are still waiting for the Conservatives to keep the promises which were made, not only in my constituency, but in Chambly-Rouville and other ridings in that area, to the effect that if they were carried back to power the Richelieu seaway would perhaps be considered.

Now, Mr. Speaker, four years have gone by and the Richelieu is still flowing past our shores. This government has done absolutely nothing in his respect.

Mr. Speaker, as I said and shall repeat every time I rise in this house, the unemployment problem in Canada will never be settled only by long term projects of national scope. The one means for remedying the present unemployment situation, and revitalizing and strengthening our economy, is to solve the problems of each district in the most beneficial way.

To my mind, the Richelieu seaway should have been considered as from 1958; the planning should have been submitted by engineers in 1959 and, in 1960, we should have been able to tell our people: We cannot proceed with the Richelieu seaway, for such and such a reason. On the other hand, if the project had been considered practical, we should have gone ahead and explained to the population why it could be carried out. But no, there again, we have seen the same utter sloth on the part of the government.

The Minister of Transport is still here tonight. I am trying to catch his eye to tell him how much the people of Quebec have been disappointed not only because of the Richelieu seaway, but in almost every field connected with his department. There has been no progress in the field of transport in the province of Quebec, since the present minister took over that department. He did less than nothing. There is a vacuum. The result is naught.

Well, Mr. Speaker, instead of coming to us with statements and promises for our part of the country, the minister should give us what we want, that is serious consideration of the Richelieu seaway. It is his responsibility to do so. And when he comes to the Queen Elizabeth hotel, in Montreal, to tell us that the project will not pay, I shall ask him once again, to prove it in this house and to our people.

Obviously, the minister smiles. It is very funny indeed. He does nothing and smiles. Well, let him smile while there is time, because, after the next general election, our friends will shed crocodile tears when they sit on this side of the house.

An hon. Members: Oh, Oh.

Mr. Dupuis: Mr. Speaker, has the hon. member for Joliette-L'Assomption-Montcalm (Mr. Pigeon) anything to say?

Mr. Johnson: The lad is nervous.

Mr. Dupuis: Mr. Speaker, the hon. member for Chambly-Rouville (Mr. Johnson) is again interjecting. It is the only thing he can do properly. I should very much like to hear him discuss seriously and objectively the Richelieu waterway. In any event, I think he will have to discuss it with his constituents some day, and I am sure that when he does, four years too late, he will be given an extended leave of absence from the House of Commons.

Mr. Speaker, I again ask the government to make a study of the Richelieu waterway project. Further, I repeat to the Minister of Finance that deepening the Richelieu is the only way to revitalize our area.

I also urge the Associate Minister of National Defence (Mr. Sevigny), who lives in our immediate area, to do his share and try to persuade the government to consider this great Richelieu scheme, a scheme which has been seriously considered by the governments of the states of New York and Vermont as well as the United States government. The scheme was also the subject of a serious study on the part of the chambers of commerce, the boards of trade and many well thinking people in our area.

Of course, Mr. Speaker, there are those who think that to revitalize the economy of a country, all you have to do is to make statements and promises. There are others who say: When things are bad, you must do as the Roman emperors: give the people bread and games. That is why some ministers of the crown take a lofty attitude with regard to this problem despite the fact that it is close at hand.

Mr. Speaker, I too wish to say to the house that the budget brought down by the Minister of Finance has been a disappointment to the entire Canadian population, because they need action which will yield immediate results.

Today, after four years of depression under a Conservative government, what will be the effect on the Canadian economy of the removal of the 7½ per cent excise tax on cars? None whatsoever. A citizen who can afford to buy a car priced at $3,200 will certainly not change his living standard if the price of the car is reduced to $3,000. Four years ago, however, when it was time to act, European cars were allowed to invade the Canadian market, thus contributing to the lay-off of thousands of workers by the Canadian automotive industry. We are now faced with a situation that was entirely created by the Conservative government.

Mr. Speaker, having studied the budget speech of the Minister of Finance, I am trying as you are to find something this government has done for the unemployed. I find not a single thing. What does the present government suggest for the unemployed? Not a single thing.

What solution is this government planning to put forward in the matter of federal-provincial relations? None whatever. What is the Conservative government planning to do to get us out of our difficulties? It calls upon its smiling Minister of Finance to propose a fifth deficit, which will amount to something like $1 billion, and tell the people of Canada: "Let's go into the red, and get around the problem that way".

Mr. Speaker, the people of Canada have had enough of the deficits of the Minister of Finance. The people should be used to them because if we take a look at the past, we find that the last four deficits instead of helping the Canadian people have resulted in a shaky and dangerous economic situation. The next deficit will lead to a new period of inflation whose effects will start to be felt a few months hence. Conditions will then be worse than those facing us at this time and the government will say once again: "We were wrong; we thought that the recession was over and that the great Donald had found the solution".

But, again I say, this is a deficit that not only will reach the billion dollar mark, but within a year—and I shall be here to see it—the estimated billion dollar deficit will be $1½ if not $2 billion.

Mr. Speaker, with those members in this house who are of good faith, I repeat that the Conservative government has been a failure, and I remain convinced that this government will not call elections in the immediate future. Why? Because public opinion has been tested recently. One test was held last year and the hon. member for Labelle (Mr. Clermont) is here as a result. There was a further test last year. The hon. member for Niagara Falls (Miss LaMarsh) is here as a witness. And this year, since the hon. member for Joliette-L'Assomption-Montcalm asked me, I shall say that the Liberal party, in the last four by-elections, has won four great victories of which we are proud because, first, in the constituency of Leeds, we have taken a stronghold away from the Conservative party.

Second, in Kings riding in Prince Edward Island, the Conservative majority was only 165, while in 1958 they had a majority of 1,134 votes.

In the constituency of Esquimalt-Saanich, the Conservative candidate had a majority of 769 votes, while his predecessor had a majority of 14,000 votes.

In the Restigouche-Madawaska riding, all the big guns of the Union Nationale party had been brought into action, but the victory was only a flop for the Conservatives, since the temporary member for Restigouche-Madawaska only received a majority of 960 votes, while his predecessor had secured a majority of 4,000 votes. The conclusion to be drawn is that the Liberals secured 44 per cent of the popular vote, and the Conservatives, 43 per cent.

Here is another conclusion: in 1958, in the Restigouche-Madawaska riding, the Conservative party had received 60 per cent of the vote, and that percentage is now brought down to 43 per cent, while the Liberals, who had then secured only 32 per cent of the vote, have now overtaken the Conservatives.

Hon. members of the Conservative party, we shall outride you, and soon there will be only three or four of you sitting on this side of the house to the extreme left of Mr. Speaker.

Mr. Speaker, may I simply call it 10.30?

BUSINESS OF THE HOUSE

Mr. Pickersgill: Mr. Speaker, perhaps the house leader could indicate what the business will be for the rest of this week, and of course we would appreciate it if the government has been able to make up its mind about next week.

Mr. Churchill: Mr. Speaker, the government would be happy to have the fullest co-operation from the other side of the house with

regard to completing the business of the session, but no agreement has been reached with regard to that.

Tomorrow, if the house—which has shown considerable interest in the subject—would like to debate a bill, notice of which has been given in *Votes and Proceedings*, called an act respecting the Bank of Canada, it would be quite possible for the house to take first reading and then follow with second reading.

Mr. Pickersgill: I can disabuse the hon. gentleman at once. We should not have the slightest intention of relaxing the rules in any respect regarding that particular matter. The very suggestion that a question as important as this should be rushed through the house in this fashion is another evidence of the contempt of the government for the house.

Mr. Churchill: Well, it is a very short bill and the subject is one which is not unknown to the house. Tomorrow, then, we shall continue with the debate on the budget.

Mr. Pickersgill: And on Saturday?

Mr. Churchill: At this stage of the session I think it would be wiser to announce the business from day to day.

It being thirty three minutes past ten o'clock the house adjourned, without question put, pursuant to special order.

Question

ANSWER TO QUESTION

The following answer, deposited with the Clerk of the house, is printed in the official report of debates pursuant to standing order 39:

INCOME TAX PERSONNEL, REGINA AND SASKATOON

Question No. 254—**Mr. Argue:**

1. What are the salaries of the directors of income tax in the Regina and Saskatoon offices?
2. How many employees in each of these offices are paid (a) over $6,000 (b) over $5,000?
3. What was the total travelling expense of the employees referred to in 2 (a) and 2 (b)?
4. What was the total number of employees in 1960 in (a) Regina income tax offices (b) Saskatoon income tax offices?
5. What was the total salary of the employees in 1960 (a) Regina income tax offices (b) Saskatoon income tax offices?

Answer by: **Hon. J. W. Monteith (Acting Minister of National Revenue):**

1. Regina, $12,500; Saskatoon, $12,500.

2. Regina (a), 53, (b), 70; Saskatoon, (a), 48, (b), 66.

	(a)	(b)
3. Regina	$31,859.96	$44,654.51
Saskatoon	25,775.65	36,729.96
	$57,635.61	$81,384.47

	Permanent	Seasonal	Total
4. Regina ..	141	30	171
Saskatoon .	120	24	144

5. Regina, $750,183.28; Saskatoon, $636,-351.77.

NOTE: The answers furnished with respect to parts 1, 2 and 4 of this question are as of 31st March, 1961. The answers to parts 3 and 5 are for the fiscal year ended 31st March, 1961.

HOUSE OF COMMONS

Friday, June 23, 1961

The house met at 11 a.m.

COMMITTEES OF THE HOUSE

MISCELLANEOUS PRIVATE BILLS—FIFTH REPORT

Mr. R. J. McCleave (Halifax): Mr. Speaker, I have the honour to present the fifth report of the standing committee on miscellaneous private bills in English and in French. I think hon. members would be interested to know that for the first time for any parliamentary committee a female clerk attended my committee yesterday. The bill considered had to do with the Canadian Girl Guides Association. The chairman at that time was the hon. and fair member for Niagara Falls (Miss LaMarsh). One might say that the suffragette movement had blossomed into fullest and fairest flower at that instant in our history.

BANKING AND COMMERCE—SIXTH, SEVENTH AND EIGHTH REPORTS

Sixth, seventh and eighth reports of standing committee on banking and commerce—Mr. Cathers.

EXTERNAL AFFAIRS

LAOS—REPORT ON GENEVA CONFERENCE

Hon. Howard C. Green (Secretary of State for External Affairs): Mr. Speaker, I returned last night from attending the conference on the situation in Laos which, as hon. members know, has been going on in Geneva for about five weeks. I went back to Geneva to attend this conference having in mind four objectives. The first was to do whatever was possible to get the conference down to actual drafting. So far they have been having what we would describe as a debate on the speech from the throne, without any actual work being done on the drafting of documents. For example, I think it is essential that as quickly as possible they start drafting terms of reference for the international supervisory commission, and also declarations, one of neutrality which it is planned would be signed by the 13 nations, apart from Laos, attending the conference, and a second declaration to be signed by Laos when agreement is reached as to the government of that very unhappy country.

The second objective was to outline in broad terms Canadian views on the terms of reference for the truce supervisory commission. This commission, of course, is our main interest in the situation in Laos. It is because Canada is a member of that commission that she is attending this particular conference.

Then I had in mind also getting proper support for the truce supervisory commission in the way of more specific instructions and equipment.

Finally, I wanted to confer with the representatives of the other countries which are attending the conference. This I suggest is very important, because quite a bit can be accomplished by discussing the situation from time to time with all the other delegates no matter whether they are of our general point of view or not.

It might be helpful to those members of the house who are interested if the three statements which I made during my visit there could be printed as an appendix to *Hansard*. That would cut down the time required for me to make an adequate report to the house today.

With regard to the first objective, I am very hopeful that some time next week the conference will start to discuss in restricted session the terms of reference for the commission. The idea is that there should be perhaps two or three representatives of each country rather than the larger number who have been sitting in thus far, and that there will be discussions rather than a series of set speeches.

The plea for more support for the international commission met with quite wide approval from the other delegations. I made this plea on June 15. The following day the United States and France both submitted in writing to the co-chairmen of the conference, the United Kingdom and the Soviet union, offers of equipment. I should also like to have these offers printed, if I may.

The Soviet union as one of the co-chairmen must, of course, consent to any such support being given and Mr. Gromyko, the foreign minister, has been holding back on giving approval. He put forward the suggestion that the three member nations represented on the commission, India, Poland and Canada, should send messages to their commissioners in Laos asking if it would not be possible to get this equipment, particularly light airplanes and helicopters, from the Laotians themselves.

That seemed to me to be a very foolish idea. However, we agreed to send a message to Mr. Léon Mayrand, our Canadian commissioner in Laos, asking for his views about the possibility of hiring from the Laotians the equipment necessary for the commission to do its job. We had a reply on Monday, June 19, and I think the house would be interested in reading that reply. It sets out very clearly just what obstacles the commission is facing in Laos because of the failure of the co-chairmen to supply adequate equipment. Incidentally when I criticize the co-chairmen I am really criticizing the Soviet union, because all the way through the British have been prepared to have this equipment supplied but they alone cannot make the decision. It has to be a joint decision by the two co-chairmen. The Canadian reply from Laos was the only one which had been received when I left Geneva yesterday morning.

The day before yesterday I made a further statement dealing with the absolute necessity of supplying this equipment, and my statement was supported in a very helpful way by the representative of France and by Governor Averell Harriman, the representative of the United States, and by Right Hon. Malcolm Macdonald, the chairman of the British delegation, whose support was particularly important because he is one of the two co-chairmen of the conference.

In the meantime the three Laotian princes have been meeting in Zurich, Switzerland; Prince Boun Oum, premier of the government which has been recognized by the United States and Great Britain, Prince Souphanouvong, who is the head of the Pathet Lao and who is representing the communists, and Prince Souvanna Phouma, who is described as a neutralist. They apparently have been making some progress. There is an encouraging report this morning but it is in very general terms, and it would be unwise for the house to expect that any definite final agreement would be made among the three princes tomorrow, the next day or maybe for some time.

I am afraid that the Soviet union is not very anxious to have an effective commission in Laos. This is my judgment after listening to their remarks and noting their actions with regard to requests for equipment. One quite effective way of handicapping the commission is to fail to supply or to delay supplying the commission with what it needs in the way of equipment. That is not a very helpful process.

The task Canada has undertaken as a member of the truce supervisory commission is a very onerous one. The representatives of the Department of National Defence and the Department of External Affairs in Laos are doing an excellent job under extremely difficult conditions. I think the work of the commission is exceedingly important. It might just be the means of preventing a third world war arising out of what is happening in that country in southeast Asia. In any event, the presence of the commission and the fact that the conference has been sitting in Geneva have, I am sure, greatly reduced the actual fighting in Laos. They have not stopped it altogether, but in my opinion there would have been much more fighting if the commission had not been set up and if the conference had not been held.

Canada will do what she can to help out. I am sure all hon. members of the house will support the Canadian delegation in their attempt to follow that course. We are very well represented. The chairman of our delegation is Chester A. Ronning, the Canadian high commissioner to India. He was born in China and speaks Chinese; in fact he attended school with one or two of the Chinese delegates, and is able to give great assistance in the deliberations at this conference. We also have Paul Bridle, our ambassador to Turkey, who served for a year as Canadian commissioner in Laos. A third member is Ralph Collins formally head of our far eastern division in Ottawa. Mr. Collins too was born in the Far East. We are also receiving excellent assistance from Brigadier George Leech of the Department of National Defence who has served on the Canadian commission for Viet Nam. These Canadians are working in Geneva in a situation which can in no sense be described as a holiday and, I believe, are rendering a great service to our country. I am glad to pay this tribute to them today.

Mr. Speaker: Before I recognize the hon. member for Essex East may I ask leave of the house to have printed as an appendix to *Hansard* the documents referred to by the Secretary of State for External Affairs. Perhaps the minister would now produce the documents. Agreed?

Some hon. Members: Agreed.

[*Editor's note: For text of documents above referred to, see appendix.*]

Hon. Paul Martin (Essex East): Mr. Speaker, I am sure I express what every member of this house wishes me to express at this moment when I observe that once again we are glad to welcome the Secretary of State for External Affairs back from an important international conference. The fact that we have done so at least three times since January, during this session, indicates the interdependent character of the world in

which we live and the importance of our country in the context of this contracted world.

We note with interest that the minister says he hopes there will be a drafting of the terms of reference of the international truce commission next week, and also that there will be some form of the kind of neutrality in the government of Laos which it is hoped to be able to achieve. The minister has cautioned us about being overenthusiastic about the statement of the three princes as reported in today's press. Nevertheless their statement indicates that some progress has been achieved toward some form of coalition. It is to be hoped that the kind of neutrality which will emerge will be an honest neutrality, not one that will represent a government that will play closer to the communist world than to the western world. We hope that it will be, in fact, as President Kennedy said, a neutral government. However, we have reasons for being concerned about the likelihood of this result in the future.

The minister should know that we fully support him in his desire to see that the international truce commission of which Canada is a member is given every protection and every assistance to maintain its security and render efficient its operations. However, we note with concern the statement of the minister that he is of the opinion that the Soviet union is not anxious to see an effective commission operate in Laos. This statement from the minister confirms our own apprehensions; but coming from him, with his knowledge of the situation, it gives us reason to be greatly concerned.

We can only hope that we shall be able to meet the reluctance of the Soviet union in this particular and that, to the extent that it is possible, we shall be able to provide conditions of relative peace in an area which, as he said, is so vital at this time if we are to avoid a conflict on a much wider front. If the Soviet union does not co-operate with the commission as one of the chairmen of that commission I hope that Canada as a member of the commission will not hesitate to say so and will not hesitate to take steps consistent with this reluctance of the Soviet union to give full effect to the terms of the commission.

May I finally say to the minister that while he was away dealing with the problems of peace and war, we were serenely engaged in this house with matters that were very peaceful.

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, on behalf of this group I wish to associate our members with the remarks of the hon. member for Essex East with respect to all of us being pleased to see the minister return safely home again. On behalf of our members I wish to thank him for his immediate report to this house on his latest mission. In doing so he shows for this house and this parliament a respect which has not always been shown in the past under similar circumstances. We give him full marks for that courtesy and for his very fair and, in our opinion, objective report.

I was also very glad to see that the hon. gentleman had the various statements and documents attached to today's *Hansard* as an appendix. This makes it very much easier for us to read them carefully and digest fully the results of his mission and the report he has given the house. I am glad to hear that the pleas on the part of the commission for more support met with a good response. I noticed that on reading some of the papers. That is a good sign. It shows there is a moral force behind this mission from persons of good intentions and good will.

I was also interested in the hon. gentleman's report with respect to the signs of progress, should I say, toward co-operation among the three princes involved. We must remember when we are dealing with circumstances like these, particularly with questions related to the Far East, that these people do not move as quickly as we do. We have to exercise a lot of patience. They do not think quite as we do. While at times it may be frustrating, I think the minister takes the right point of view when he indicates that there is hope of progress and co-operation in time. That depends to a great extent on the attitude of the members of the commission.

I was interested in the hon. gentleman's comment to the effect that the presence and actions of the commission had reduced the hazards of fighting in that area. Well, that is a major accomplishment in the first instance. All we have to do is imagine what could have been the circumstances without that commission and without the effective contribution made by the Canadian members on that commission.

Members of this group wish to join with others who have spoken in paying tribute to the excellent service being performed by Canada's representatives on the commission and in the related work for Canada and for the world as a whole. We pay tribute to them for the way they are performing what, as everyone must recognize, is a trying task.

Proposed Legislation

BANK OF CANADA

CREATION OF VACANCY IN OFFICE OF GOVERNOR

Hon. Donald M. Fleming (Minister of Finance) moved for leave to introduce Bill No. C-114, respecting the Bank of Canada.

Some hon. Members: Explain.

Mr. Fleming (Eglinton): The purpose of this bill is to provide that a vacancy in the office of the governor of the Bank of Canada shall arise upon its coming into force. It is a brief bill consisting of one clause, reading as follows:

The office of governor of the Bank of Canada shall be deemed to have become vacant immediately upon the coming into force of this act.

Motion agreed to and bill read the first time.

Mr. Speaker: When shall the bill be read a second time?

Some hon. Members: Now.

Mr. Fleming (Eglinton): I should be prepared to proceed with this bill now if the house would give consent to doing so.

Mr. Pickersgill: There is not unanimous consent, Mr. Speaker.

Mr. Speaker: Next sitting of the house.

INDUSTRIAL DEVELOPMENT BANK ACT

AMENDMENTS RESPECTING CLASSES OF LOANS, INCREASING AUTHORIZED CAPITAL, ETC.

Hon. Donald M. Fleming (Minister of Finance) moved that the house go into committee at the next sitting to consider the following resolution, which has been recommended to the house by His Excellency:

That it is expedient to introduce a measure to amend the Industrial Development Bank Act to enlarge the classes of loans that may be made under the act so as to include therein all business enterprises without limitation as to the kind of business carried on; to increase the authorized capital of the bank from twenty-five million dollars to fifty million dollars; to increase the authorized borrowing authority of the bank to an amount not exceeding five times the aggregate amount of its paid-up capital and reserve fund; to enable the bank to make funds available in respect of transportation equipment by the purchase of equipment trust certificates; to enable the bank to acquire title to moveable property and to make such property available to a borrower under a conditional sales agreement or other arrangement under which the borrower has a right of redemption; to raise the limit on the aggregate amount of loans and other liabilities that exceed two hundred thousand dollars, from a maximum of seventy-five million dollars to a maximum of two hundred million dollars; and to make certain other changes in connection with the administration of the act.

Motion agreed to.

[Mr. Herridge.]

HOUSE OF COMMONS

REPORTED FINANCIAL IRREGULARITIES RESPECTING FORMER SECRETARY OF STATE

On the orders of the day:

Hon. Lionel Chevrier (Laurier): May I direct a question to the Prime Minister and ask the right hon. gentleman if he was aware that Senator Courtemanche, according to his own evidence in Montreal yesterday, was acting as solicitor for a hospital receiving hospital grants at a time when he was a member of the government of Canada which was providing part of those grants.

Right Hon. J. G. Diefenbaker (Prime Minister): As I said the other day, the government wants to secure the most definite and authentic information on this matter. Therefore a letter was sent on Saturday, June 17, by the Department of Justice to the chairman of the commission investigating this matter, asking that the government of Canada be provided as soon as possible with a copy of the transcript of evidence given the previous day, concerning Senator Courtemanche, together with a transcript of any further evidence which might be given in this matter.

That was last Saturday. To date no reply has been received. As soon as copies of the evidence are received the evidence will be carefully examined to the end that the proper course shall be taken. I am not going to deal with the matter on the basis of newspaper reports. The government wants the authentic evidence, and in order to ensure that the evidence shall be forthcoming the letter was directed to the chairman of the commission and a copy was sent to the deputy attorney general of the province of Quebec.

Mr. Chevrier: Could I ask the Prime Minister whether he was aware that the secretary of state at the time was acting as solicitor for the hospital?

Mr. Diefenbaker: I was not aware of that at any time. As a matter of fact, as I said yesterday, following a course somewhat different from that which the last government followed we made absolutely sure that ministers—

Mr. Pickersgill: Apparently not.

Mr. Diefenbaker: An interruption from the hon. gentleman is always so far removed from the facts. He is always searching for something, and some day I hope he will find it. We ensured, as far as it was possible to do, that all ministers should be disconnected in every way from directorship and the like.

Hon. Paul Hellyer (Trinity): Has the Prime Minister not asked his colleagues to refrain from active legal practice and the accepting of fees, along the same lines as the prohibition of directorships?

Mr. Diefenbaker: I seem to recollect that in the days when the hon. gentleman was a minister this matter was before the house—

Mr. Hellyer: Would the Prime Minister just answer the question?

Mr. Diefenbaker: Calm yourself.

Mr. Hellyer: Never mind the speech.

Mr. Diefenbaker: During those days—

Mr. Hellyer: On a point of order, Mr. Speaker, surely the Prime Minister is not entitled to make a speech in answer to a question.

Mr. Speaker: I think all hon. members appreciate that a debate does not take place at this time. We are limited to factual information and questions.

Mr. Hellyer: Will the Prime Minister not answer the question, which is a simple one, and tell the house whether he has asked his colleagues not to engage in active legal practice or accept fees?

Mr. Diefenbaker: The hon. gentleman objected to the answer I was about to give. I am not going to pursue it, because he seemed to have something else in mind; therefore I think the matter had better rest.

(Translation):

INQUIRY AS TO TRANSPORTATION ARRANGEMENT FOR MEMBERS' FAMILIES

Mr. Alfred Belzile (Matapedia-Matane): Mr. Speaker, I should like to put a question to the Minister of Transport. Could he inform the house whether the wives and dependents of members will be able to secure passes on C.N.R. passenger trains after June 30, 1961?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, following several requests submitted by my colleagues in the House of Commons, I got in touch with the presidents of the two main railways and they assured me that their companies would keep on issuing passes to wives and dependents of members of the house until one month after the end of the session.

THE BUDGET

REPORT THAT PRICE OF BREAD TO BE INCREASED

On the orders of the day:

Miss Judy V. LaMarsh (Niagara Falls): Mr. Speaker, I should like to direct a question to the Minister of Finance. Due to the fact that one of the first results and benefits to Canada on Tuesday's budget as announced in this morning's press by Mr. Joseph Conrad, president of General Bakeries Limited, is that the price of bread is to increase for all Canadians, can the minister advise the house whether he is now issuing instructions to let them eat cake?

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, I did not hear the concluding words of the hon. lady's question.

Mr. Speaker: Order. I shall not give the hon. lady the floor to repeat the question, which was not seeking information in the ordinary sense of the word but rather presenting a point of view.

CONSULTATION WITH MONETARY FUND ON EXCHANGE RATE

On the orders of the day:

Mr. W. M. Benidickson (Kenora-Rainy River): Mr. Speaker, I should like to direct a question to the Minister of Finance. Will the minister tell the house whether prior to the presentation of the budget any consultations were held with the officers of the international monetary fund with respect to the action proposed by Canada to affect the exchange rate of the Canadian dollar?

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, Canada's member on the executive board of the international monetary fund, Mr. Rasminsky, the deputy governor of the Bank of Canada, was in Washington on Tuesday and Wednesday of this week. I think he had some informal discussions to acquaint Mr. Jacobsson, the managing director of the international monetary fund, and perhaps some other members of the executive board who were there, with the nature of the proposals contained in the budget.

Mr. Benidickson: Mr. Speaker, my question was whether there were any consultations prior to the presentation of the budget.

Mr. Fleming (Eglinton): Mr. Rasminsky was there on Tuesday and Wednesday. I am not sure of the exact times that he talked to Mr. Jacobsson and others. It may well have been that some of these discussions were held sometime late on Tuesday.

Hon. Lionel Chevrier (Laurier): Mr. Speaker, may I ask another question of the Minister of Finance. Would the minister

advise the house whether he has used resources of the exchange fund to influence the value of the Canadian dollar since the presentation of his budget and, if so, to what extent the fund has been so used?

Mr. Fleming (Eglinton): Mr. Speaker, it has never been the practice in all the years the exchange fund has been in existence to disclose individual transactions at individual times such as the hon. member is now asking about. Whatever has been done in this respect has been done in accordance with the statement I made to the house on Tuesday evening.

COAL

CAPE BRETON—REQUEST FOR EXTENSION OF OPERATION OF FLORENCE COLLIERY

On the orders of the day:

Mr. Arnold Peters (Timiskaming): Mr. Speaker, I should like to ask the Prime Minister a question with reference to his reply on June 19 concerning the request for an extension of the operation of the Florence colliery. Is the Prime Minister now in a position to make a further statement so the miners who are threatened with loss of employment on July 2 may know as soon as possible what action, if any, the government intends to take?

Hon. Paul Comtois (Minister of Mines and Technical Surveys): Mr. Speaker, in reply to that question I should like to say that we have a meeting scheduled for today after twelve o'clock noon with the representatives of district union No. 26 and the Florence local.

FISHERIES

NEWFOUNDLAND—PETITION FROM RENEWS RESPECTING HAND LINE OPERATIONS

On the orders of the day:

Mr. J. R. Tucker (Trinity-Conception): Mr. Speaker, I should like to direct a question to the Minister of Fisheries. Could the minister please advise the house whether he has received a petition from the fishermen of Renews, Newfoundland requesting that their ancient rights in respect to hand line operations be restored and that an area be reserved for hand line operations from July 1 to October 31 only each year?

Hon. J. A. MacLean (Minister of Fisheries): Mr. Speaker, I have received such a petition as well as correspondence from various people in the area, including the local clergy. I might say that my colleague the Solicitor General has been of great assistance to me because of his local knowledge of that area which he represents. I have also received correspondence from Hon. Myles Murray, the representative of that area in the Newfoundland legislature. Meetings have been held between officials of my department and the fishermen concerned in an attempt to work out regulations which will be acceptable to the fishermen while at the same time not unduly inhibiting the trend toward more modern and efficient methods of catching fish.

BUSINESS OF THE HOUSE

ESTIMATES TO BE CONSIDERED ON SATURDAY, JUNE 24

On the orders of the day:

Hon. Lionel Chevrier (Laurier): Mr. Speaker, may I direct a question to the house leader and ask him, for the convenience of members of the house as well as for the orderly conduct of the business of this house, whether he can indicate what estimates will be taken up tomorrow?

Hon. Gordon Churchill (Minister of Veterans Affairs): Mr. Speaker, I think it would be more appropriate to make this announcement at the conclusion of today's business.

Mr. Chevrier: I agree that is the normal procedure, Mr. Speaker, but because tomorrow is Saturday and because of the indication the Prime Minister gave during the course of a former debate that Saturday would be as a rule devoted to estimates, I wonder whether the house leader could indicate now what those estimates are likely to be.

Mr. Churchill: Mr. Speaker, it would be easier to do so at the conclusion of the day's business, because negotiations are carried on during the course of the day. I have had suggestions from hon. members on the other side that the estimates which I proposed to be taken up on Saturday should not be taken up. In return I proposed that if the hon. members on the other side could give me some guarantee that something could be passed on Saturday, we might make a change. I suggest there is plenty of time to consider these matters during the next few hours.

AIR TRANSPORT

APPLICATION OF U.S. COMPANY TO OPERATE SERVICE INTO CANADA

On the orders of the day:

Mr. Hubert Badanai (Fort William): Mr. Speaker, I should like to ask a question of the Minister of Transport. It has been reported that the Areo-Flight Service Incorporated of Minneapolis has applied to the Canadian air transport board for a licence to operate an air service into Saskatchewan, Manitoba and

northwestern Ontario. Is the minister in a position to inform the house whether a licence has been granted to this company?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, it is a fact that a licence has been requested. I am not quite sure of the point of origin of this route, though I think it is somewhere in Minnesota and from there to a point in Manitoba and then to western Ontario. I shall be in a position to let the hon. member know either tomorrow or Monday if a licence has been issued.

Mr. Badanai: Mr. Speaker, I should like to ask a supplementary question. Have any objections to that application been made by Trans-Canada Air Lines?

Mr. Speaker: Order. I think the hon. member is inquiring about matters presently before a board which has been charged with that responsibility, and it would be improper for the minister to intervene in those proceedings.

UNITED NATIONS

DISARMAMENT—INQUIRY AS TO RESUMPTION OF DISCUSSIONS

On the orders of the day:

Hon. Paul Martin (Essex East): Mr. Speaker, may I ask the Secretary of State for External Affairs whether he is in a position to tell us if conclusions have been reached by the foreign ministers regarding the form of the next forum for disarmament discussions; and is the minister in a position to add anything to the proposal made by Mr. Khrushchev that nuclear talks be integrated into the disarmament discussions?

Hon. Howard C. Green (Secretary of State for External Affairs): Mr. Speaker, it would be quite a tall order for me to add anything to suggestions made by Premier Khrushchev, as it is hard enough to find out what he is getting at without trying to help him out.

There is no meeting of four foreign ministers on the question of disarmament. What is going on is a conference between the United States, represented by Mr. McCloy, who is the head of their disarmament branch, and Mr. Zorin, representing the Soviet Union, who is a deputy foreign minister and permanent representative at the United Nations. They are discussing informally in Washington the type of forum in which disarmament negotiations could be resumed. They started to meet on June 19 and those talks are still going on. Therefore it is impossible for me to say what the decision will be. The plan was that disarmament negotiations proper should commence about August 1.

With regard to the test ban conference in Geneva it, too, is still in existence. The leading United States representative has been recalled to Washington for talks. It is true that Premier Khrushchev has suggested that those talks should be merged with the talks on general disarmament which are supposed to take place about August 1. I believe the United States has rejected that suggestion, and I do not know what will happen with regard to that particular three-nation conference in Geneva. The third country represented, of course, is the United Kingdom.

AGRICULTURE

EGGS—INQUIRY AS TO INTERIM DEFICIENCY PAYMENT

On the orders of the day:

Mr. Arnold Peters (Timiskaming): May I direct a question to the Minister of Agriculture or, in his absence, to his parliamentary secretary. Since the practice in recent years has been to issue an interim payment, is the minister now in a position to inform the house whether the stabilization board intends to make an interim deficiency payment on eggs?

Mr. W. H. Jorgenson (Parliamentary Secretary to the Minister of Agriculture): I will draw this matter to the minister's attention.

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed, from Thursday, June 22, consideration of the motion of Hon. Donald M. Fleming (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means, and the amendment thereto of Mr. Benidickson, and the amendment to the amendment of Mr. Regier.

(Translation):

Mr. Yvon Dupuis (St. Jean-Iberville-Napierville): Mr. Speaker, since I have only two minutes left of the time allotted to me—

Mr. Chevrier: Five minutes.

Mr. Dupuis: Five. Well, Mr. Speaker, if I still have five minutes at my disposal, I am pleased.

Since I have five minutes left of the time which was allotted to me yesterday, I should like to make a wish concerning our friends opposite. I hope that today they will rise in greater number than yesterday to defend the miserable budget presented by the Minister of Finance (Mr. Fleming).

Indeed, sir, last night's performance was not too impressive since only the Conservative members for Kingston (Mr. Allmark) and

for Dorchester (Mr. Drouin) participated in the budget debate whereas on this side, the members for Grand Falls (Mr. Granger), Maisonneuve-Rosemont (Mr. Deschatelets), Drummond-Arthabaska (Mr. Boulanger), Bonavista-Twillingate (Mr. Pickersgill) and Niagara Falls (Miss LaMarsh) and I took the floor to discuss the budget we are now considering.

Or course, Mr. Speaker, I realize that this year just as last year, the budget has not provided much to satisfy the hopes of our friends on the government side. I can understand that they are disappointed, disenchanted, distressed, disillusioned, desperate and discouraged, but I ask them to change their attitude today, because when things go wrong, it is not good politics for a party to show it to the public.

I suggest that more of our Conservative friends should rise today and cover up their great disappointment. I would particularly ask the hon. member for Roberval (Mr. Tremblay)—who, I am told, is quite dissatisfied with the budget—to forget these things, come into the house and be as talkative on the occasion of the budget debate as he is when he interrupts the speeches of members of the opposition.

(Text):

Mr. W. H. McMillan (Welland): Mr. Speaker, when I spoke in the budget debate on January 16 last I made some remarks which I should like to quote. I refer to the last sentence of my remarks as reported at page 1095 of *Hansard*. I said in connection with the baby budget:

—I believe also that the different members of the cabinet should be helping the Minister of Finance in a department in which we have a continuing and chronic emergency.

The events which have taken place since that time would lead one to believe that there is something wrong with the Department of Finance. The minister has been convinced by somebody somewhere to change his thinking on interest rates. For some three years and half I have been telling this house that our interest rates are too high and that they were at the very root of our economic ills. In the windy and wordy budget speech the other night the Minister of Finance certainly gave lip service to this premise. I shall quote some of his words. At page 6645 of *Hansard* he is reported as having said:

To begin with, interest rates in Canada are out of line with those in the United States and some of the European capital-exporting countries.

This is something that we have been saying for at least three years and a half. I recall quoting the New York *Times* in the house three years ago to the effect that interest rates in Canada were out of line with those in the western free world. At one time I quoted the interest rates on Cuban bonds in New York, and at that time I said the Diefenbaker bonds were selling lower than those of the Batista government and certainly lower than those of the Castro revolutionary government in the first three months it was in office.

At page 46 of the budgetary papers there is a table showing the long term government bonds yields. It also shows the differential between interest rates in Canada and in the United States. At the time of the election in June, 1957 the differential was about one half of 1 per cent. Later, in the fall of 1957, this differential went down to, I would say, three eighths of 1 per cent. This table has not been so prepared as to give the exact figure, but I would say it is about three eighths of 1 per cent. After the conversion loan and after further financing the differential got up to around 1½ per cent. Since last year it has eased somewhat. It has again eased somewhat lately, and according to this table I would say it stands at about 1⅓ per cent today. I say that the actions of this government in handling our fiscal policy and in the management of our debt have brought this about. Further down on page 6645 the minister said:

High interest rates are a double drag, at times like these, on our economic activity and expansion.

Still further on the minister said:

Statistics indicating trends of interest rates in recent years in Canada and abroad are to be found in the white paper. These support the view that Canadian interest rates have grown out of harmony with those abroad . . .

That was not the story of the minister previously. As I said before, I have been bringing up this matter in the house for the last three and one half years but the minister has only seen the situation lately. He has only seen it after a good part of our debt has been built into a debt structure of long term non-callable bonds at high interest rates. In the meantime the provinces and the municipalities have assumed long term debts by way of bonds and debentures, and the taxpayers in the provinces and the municipalities will be paying these debts with high interest for years. Some of them will not mature for 30 years, and I am thinking particularly now of debentures on sewers.

High interest rates have also brought about stagnation in our economy. I could quote innumerable statements I have made in the past to the effect that high interest rates would increase taxes at all governmental levels, and we know they have done so. We on this side of the house said that

high interest rates would increase the cost of living, and they have. We have said that high interest rates would increase the cost of production and therefore make us less competitive in the markets of the world, and this they have done. We have also said that high interest rates would attract foreign capital to this country in order to earn a higher yield on such capital and that this would contribute to a greater imbalance in our international payments. This too has been brought about. The budget attempts to correct the effects of high interest rates which the government itself has brought about.

As I have said, I think interest rates are basic to our economic well-being. When you remove from the budget the measures taken by the government to correct its former mistakes with respect to interest rates you have not got much left. I admit there are two or three things in the budget of which we approve. The first is the removal of the excise tax on automobiles. The hon. member for Essex East has often urged this, as have other members on this side of the house. I also want to thank the minister for giving some consideration to volunteer firemen. I think I was the only member of the house who brought up this matter at the time of consideration of the resolutions following the baby budget.

Mr. Fleming (Eglinton): Many members spoke to me about that.

Mr. McMillan: At that time I asked the minister to exempt for income tax purposes at least $200 of the honorarium they receive. The minister has gone further and has set the amount at $300. I wish to thank the minister for that.

Mr. Hellyer: That is to allow for the inflation he expects.

Mr. McMillan: Third, there is the provision, which I think will help the tobacco growers, by which more tobacco may be included in cigarettes. I hope the tobacco growers of western Ontario will get some relief and will be able to sell more tobacco. But when you take away from the budget the measures it contains to correct the mistakes of the government with respect to interest rates and the three other provisions I have just mentioned, there is absolutely nothing left in it. The budget contains little to cure our economic ills, including the imbalance in international payments of which interest rates have been the principal cause.

I am glad to see the minister give lip service to lower interest rates, but giving lip service to lower interest rates is not going to bring them about. The ordinary taxpayer will continue to pay high government taxes and in many cases high interest payments on bonds for the rest of his life. The taxpayers will continue to pay high interest rates for their share of every new school, every new sidewalk, road or sewer. Every new home owner will be called upon to pay high interest rates for a good many years to come.

Unfortunately the lip service given by the minister is no solution to those of us who have been caught up in the payment of high interest rates. I am glad that at this late date the minister has had a change of heart. It is something like a death bed confession, his last chance before wrecking our economy. Until his repentance he was the high priest of high interest rates in Canada.

Mr. Fleming (Eglinton): Oh, no.

Mr. McMillan: Why does he merit this appellation? In debt management, purely under the control of the minister and in no way the responsibility of the Bank of Canada, we have had the spectacle of the Prime Minister and the Minister of Finance appearing on radio and television and making statements in the press recommending that bondholders should take more interest on their bonds. They were told that it was in the national interest and was the patriotic thing to do.

I am referring, of course, to the conversion loan. The Prime Minister and the Minister of Finance, on radio and television and through statements that appeared in the press, pleaded with and begged Canadians to convert their 3 per cent victory bonds into 4½ per cent conversion loan bonds. They not only begged them to do so but they also paid them to do so. They paid every thousand dollar bondholder who converted to take $45 interest each year instead of $30 each year. At that time it did not make any difference to them whether interest rates in Canada got out of line with those in the rest of the world. At that time it did not matter whether interest rates were a double drag on our economy. It did not matter then if there was an increase in the imbalance of payments. It did not matter whether they caused stagnation in our economy. What mattered then was that the minister should be in charge of the greatest financial transaction that ever took place in Canada.

The minister continually required more money. To cover his deficits he had to continue to raise more money, and this caused an upward pressure on interest rates. It was not until early last year, when the country learned that the minister was going to budget for a surplus, that interest rates eased. In addition, the minister devised gimmicks for

the benefit of the wealthy friends of the government. The government devised ways and means to give its wealthy friends some extra interest taxwise.

Mr. Fleming (Eglinton): Untrue.

Mr. McMillan: Deficit or no deficit, these people had to be looked after. When the government came to power in 1957 the average rate of interest on our debt stood at 2.98 per cent, slightly under 3 per cent. The minister and the Prime Minister in the bond conversion loan tried to get as many people as possible to increase that by 50 per cent, to change as many bonds as possible from 3 per cent victory bonds to 4½ per cent conversion loan bonds. For subsequent borrowings the minister paid much higher rates, as I said before, and the total interest payment on our debt has now increased by approximately 50 per cent. I suppose they have reached their goal and achieved their objective. Now comes the deathbed repentance.

By the end of this fiscal year the extra debt charges imposed on the taxpayers of Canada in the four years, including this year, will be $800 million. It is made up mostly of interest. The first time I or anyone in this country had any indication that the minister had a change of heart in connection with interest rates was on June 14 last, when something was brought up in connection with the resignation of Mr. Coyne. I would say that the Prime Minister and the Minister of Finance blazed a trail for high interest rates on our national debt. They have now attempted to cover up this fact by erecting a smokescreen. Heads must roll and so Mr. Coyne, governor of the Bank of Canada, is losing his head. It is quite within the realm of possibility that before long he will be blamed for the conversion loan.

Firing the governor and erecting a smokescreen will never conceal the damage the minister himself has caused. So much of our debt is built into high interest non-callable bonds. If money could be borrowed tomorrow at 3 per cent this government could do nothing about these bonds because they would not be callable. Therefore we could not reduce our interest on these bonds.

The former government, and I think a great many former governments, sold bonds that were callable so that in a low interest period these bonds might be called in, redeemed and reissued at a lower rate. I have always maintained that this government was a prisoner of its own mistake in that conversion loan. I predicted in this house that the government would never escape and it never will.

I predicted that it would grope around, and it has. I predicted that it would blame someone else, and it has. The government in terms of taxes has stamped itself on our country for a generation.

It is interesting to think of the capital projects that could have been undertaken with the $800 million of extra interest. For instance, that amount of money would have built two St. Lawrence seaway canals or five Welland canals, on the basis of the cost of constructing the latter canal at the time it was built. If capital works had been built the people would have had employment and something tangible they could look at, instead of being faced with increasingly high income tax rates. It would not be so bad if the $800 million could be paid and we could then be done with it, but that is not the case. That sum has gone to create new debt. This year, as in previous years, the government will not raise sufficient money to pay the interest on the $800 million, so we will continue as we have in the past, paying interest on the interest.

In discussing the budget the Minister of Finance often counters our criticism with the argument that we are bringing up the same old stuff. I would be the first to agree with the minister, because if we adhere closely to the budget we are indeed discussing the same old stuff. The minister does not vary the diet. He gives us bigger and bigger deficits and more and more debt. He increasingly demonstrates his ability to be further off the mark in his predictions in respect to budgetary figures. Fifteen months ago the minister reported that we would have a $12 million surplus for the last fiscal year. I predicted then that the deficit would be much more. In December the minister predicted that there would be a deficit of $286 million. At that time I said it could not help but be more. He came along in the last budget and said the deficit would be $345 million, I believe, and his prediction was off the mark by $1 million a day.

For the next fiscal year the minister predicts a deficit of $650 million. I cannot agree with that figure. In view of past experience I do not think anyone could say that the minister's prediction is likely to be at all close to the mark. I recall that the minister used to find fault with former Liberal ministers of finance because they were out in their budget predictions by approximately $50 million on the favourable side. I predict that the present minister will be out more than this amount on the unfavourable side of the budget. I should like to be wrong once in my predictions for the sake of the taxpayers of Canada, but this last budget has not changed our idea about

the dismal Diefenbaker day. We are certainly going to continue to be confronted by a $2 million a day deficit.

When the former Liberal government left office in June of 1957 there was a surplus of $400,000 a day. Today the deficit in connection with extra interest alone is more than half a million dollars a day. In addition to this, when the former government left office there was approximately $900 million in the unemployment insurance fund and approximately $200 million in the defence equipment account.

What has happened? In order to conform to the needs of the various assessments of our economy made by the Minister of Finance the defence equipment account was soon raided and is now nonexistent. The unemployment insurance fund is almost bankrupt, containing at this time only approximately $65 million to meet a depletion of about $300 million a year. The daily deficit on overspending on current account has piled up to the point where it now reaches an enormous sum. After the budget it will stand at over $2.2 billion.

Considering the overspending on current account together with the depletion in government accounts, it will be seen that this represents an amount of more than $3.3 billion, a colossal sum. This is more than twice the cost of world war I between the call-up of troops in 1914 and demobilization in 1919. Since it came to office this government has indulged in overspending in an amount more than twice the cost of world war I during the period I mentioned. Canada had over 500,000 troops overseas in those years, yet in less time than the length of that war this government has found it possible to overspend more than double the cost of the war with little or nothing to show for it. We have heard much about the minister being expansive in his budget. He was expansive only in debt, not in tax cuts. We would not complain about tax cuts of sizeable proportions if they were designed to put people to work, but this amounts to only $65 million in this current fiscal year. The minister expects the budget proposals to cause a rise in our tax collections to offset the $65 million in tax cuts, yet he is predicting a deficit of $650 million this year as against a surplus of $12 million predicted in his last budget. I was interested in another halfhearted prediction of the minister to be found at page 6665 of *Hansard*, which reads as follows:

> On the basis of the present situation and anticipated trends it is not unreasonable to expect that the current flows of revenue and expenditures will be approaching a balance by the end of 1962. Indeed, as our economy reaches high levels of employment, it is essential that the budget should achieve a balance, and that provision should be made for an orderly retirement of debt.

All I can say is that on two occasions the minister has attempted to predict the result of the budget for just three months ahead and he has been out by upwards of three quarters of a million dollars a day in those predictions. Last year, as I said, when he predicted ahead for 12 months he was out by about $1 million a day. How much is he going to be out when he starts to predict ahead for 18 months?

In speaking on the budget then I referred to the fact that some orderly reduction should take place in the value of our Canadian dollar, as I thought it would help exporters in the country. But at that time, as we all recall, the minister said it would cost too much to buy United States money in order to do this, that it would mean a considerable expenditure of money. The thinking on this matter by the minister has also somersaulted, just as it has done in connection with interest rates.

On Wednesday evening I was quite interested to note that the Conservative party here celebrated the fourth anniversary of their assumption of office and responsibility for the direction of the affairs of our country. I wish to congratulate the Prime Minister and the members of the government on attaining four years of power. I could not, however, but feel uneasy that on the very day of this anniversary our dollar was plunging in the various markets of the world, and there was chaos in those markets. I do not mind admitting that I experienced some emotion on learning that branches of the various Canadian banks in such centres as Los Angeles, New York, London and Paris did not have enough confidence in the Canadian dollar to trade in it. I heard that statement over the radio and I have since read it in the press. What dealings took place in those centres were mostly between United States banks and British banks. I know this situation will clear away, but certainly there has been left some lack of confidence.

I was laughed at in this house when I predicted that unless this government changed its ways there would be some flight of capital from Canada. On August 10, 1960, as found at page 7914 of *Hansard*, I said this in the house:

> Two years ago I predicted these high interest rates. I am afraid that if the minister carries on as he has been there will be flight from the Canadian dollar.

Then I went on to say that I did not know how much more the Canadian taxpayer could take but that certainly, if the next two years were anything like the last two, we would

see our currency depreciated. I should like to ask the members of this house what was going on in the last few days if it was not a flight from the Canadian dollar—a temporary flight, at least—in the various markets of the world. In fact I myself know some people who were hurrying to get their money out of Canada at that time, and trying to get the best deal they could in United States dollars.

I do not know whether this abrupt change or abrupt fall in the Canadian dollar has ever occurred previously. However, I appeal to the minister and to the government to have a more orderly change in the future. If it is desirable to have our money selling at some figure below par, I suggest that this should be done in an orderly way and not in the way in which it was done the other day.

The Acting Speaker (Mr. Chown): I am sorry to interrupt the hon. member, but I must inform him that his time has expired.

Mr. Harold E. Winch (Vancouver East): Mr. Speaker, I must say that I was bitterly disappointed in the budget speech presented the other day by the Minister of Finance. After hearing, as we did, his vociferous emotionalism and oratory about the coming expansionist budget, I feel certain that all of us in this house as well as the people of Canada were really looking forward to a militant, progressive, constructive budget outlining policies, legislation and action which would aid to a considerable extent in curing the ills which have beset our Canadian economy in the past and still beset it. As I say, Mr. Speaker, I was bitterly disappointed because I did not see that much looked for expansionist policy.

But perhaps of even greater importance is the fact that I find the presentation made by the minister frustrating and confusing. It could not be anything but frustrating and confusing because almost in toto it was a tour de force lasting for over two and a half hours and consisting of cliches and platitudes and repetitions of cliches and platitudes. It was not what I think the members of this house and the people of Canada had a right to expect, namely a clear explanation of the basic and fundamental economics underlying the proposals which he made. I myself found it difficult to understand the basic economics. I believe the Minister of Finance owes it to this house to present a picture of the fundamental economics in such a way that there will be an understanding of why he has brought in the proposals contained in his budget speech.

May I say here also that I have been most disappointed in the fact that we have not heard from some of the backbenchers on the government side of the house. I have taken it for granted that the Minister of Finance is a true believer in democratic methods and procedures and therefore that, in such an important matter as a budget, he would have taken all his backbenchers into his confidence and would have explained to them the economics of his proposals. If that procedure had been followed I would have thought the backbenchers would have an understanding of the economics and therefore, as one would gather from their applause for the Minister of Finance, would have been happy and proud to rise in their places and explain to the other backbenchers in this house and to their constituents the real and fundamental meaning of the economics of the budget.

I can only come to the conclusion that they also find the basic economics frustrating and confusing, and that the reason we have not heard from them is that they do not understand the matter and that it has not been explained to them. The situation is either that, Mr. Speaker, or the whip has really been cracked and they are under orders not to speak in the budget debate. As a matter of fact it is current in the corridors this morning that the whip has been cracked and that we shall not be hearing from the backbenchers. If that is so it is a peculiar expression of democratic procedure and a peculiar expression of Conservative back bench representation in this House of Commons. I hope we shall hear from some of them, because we should like some explanation.

It was interesting to note that when the Minister of Finance started he did not give us an analysis of the economic situation of Canada past and present, explaining from the position of government policy and administration what had gone wrong with our economy. No; it was something outside government, something outside Canada which had brought all these things to pass. Almost in his opening remarks the minister said, and I quote from page 6640 of *Hansard*:

> Last December in presenting to the house a supplementary budget, I explained that the rate of economic expansion in Europe had shown some hesitation and that the economic outlook in the United States and Canada, which had been most encouraging at the beginning of 1960, had rather unexpectedly reversed itself, resulting in a disappointing slow down during the last three quarters of 1960.

So the failure of the government to succeed in its operations in Canada was because of what had taken place in the United Kingdom, in Europe and in the United States. I think that is a weak way in which to begin an expansionist budget and to explain away the mistakes and fallacies of the present government. However, it was not very long before we found that the Minister of Finance

had taken a second look. He put on his rosy glasses and told us that everything was going to be different in the future; because we also find on page 6640 these words attributed to the Minister of Finance:

> Expansion is expected to continue in western Europe and in our other important overseas markets. These welcome developments will make possible further increases in our exports, production, employment and incomes. Thus, an improvement in our situation could be expected to occur even if no further efforts were taken to stimulate our economy.

Thus not only have the government's failures in the past been blamed on what was taking place in foreign countries, but now Canada is going to reach a new heaven because of what is taking place in other countries. I think that is a ridiculous way in which to introduce a budget and upon which to base government policy. Of course we all hope this new vision is not just something seen through rosy hued glasses. We hope the situation which the minister outlined is going to come about. But if it is, Mr. Speaker, that has got to be related to government policy and proposals as outlined in the speech of the Minister of Finance. I think the minister owes it to the house and to the people of Canada to explain just how his policies related to these other countries are going to bring about the desired result.

His economics are indeed most strange. The minister almost completely ignores all the fears which have been growing as to what is likely to be the effect on Canadian exports when we relate them to the expansion and the fulfilment of the plans, policies and purposes of the inner six and the outer seven. That, I think, cannot be explained away by the minister in the course of a casual mention. Neither can we accept without explanation the contention that his policy is going to mean a greater expansion in the export field. I refer in particular to the United Kingdom, although all our export markets come into the situation. We have to recognize this, and I do not know why we completely close our eyes to it. If you are going to export you have to import. If you are going to export, the countries to which you export have got to have Canadian dollars, and to have Canadian dollars they have to be able to get their exports into our country.

When you have a policy of devaluation of the dollar it is true that on the surface that is undoubtedly going to assist our exports, but how is that going to be counterbalanced by the fact that we have to get Canadian dollars in order to pay for our purchases from the countries to which we export. We have to import from them in order that they may get the Canadian dollars for our exports. By the devaluation of the dollar we are without doubt, whether the minister wants to admit it or not, doing the same thing we would do by erecting higher tariff barriers. It means that we have to pay more dollars because our currency is being devalued.

I think it is stupid to talk, as the government is disposed to talk, about our rightful market in the United Kingdom, and to express our fears about the United Kingdom going in with the inner six; because we have to realize that Great Britain must think about her 48 million people, and that is her first concern; and that if we want to sell, as we do want to sell, more wheat or agricultural produce or lumber or pulp or paper or salmon or other fish to the United Kingdom, the United Kingdom has to be able in turn to export to Canada. Therefore we cannot consider in isolation the fact that the government policy of devaluing the dollar is going to help us with our exports. What is going to be the effect of the counterbalance if it is going to hurt us in regard to imports when we cannot get the Canadian dollars for the sale of our goods? Just what are the views of the minister on the counterbalance on the imbalance? What indeed? The minister did not tell us one word about that, and I say that is where he is being distinctly unfair. He only wants to show us one side of the picture, and if we are going to have a successful government and a successful policy we have to have both sides of the picture and we have to have a complete balance.

I do not think we have heard enough in the explanation given of the devaluation of the dollar as to what it is going to mean in Canada itself. As was pointed out in the question of the hon. member for Niagara Falls this morning, there is a certain impact which already has been felt.

An hon. Member: It was the hon. member for Welland (Mr. McMillan).

Mr. Winch: No, I am referring to the question about eating cake. If the reports in the press are correct the price of wheat has gone up. Because the price of wheat has gone up the price of flour has gone up, and because the price of flour has gone up the bakers say the price of bread is going up. So we are already feeling an impact. Now how is it going to affect other fields, other imports which are basic necessities in Canada? Let us take just a few small items in use in every home every day, whether it be tea or coffee or cocoa or spices, all those things which we shall now have to pay for with a devalued dollar. I think we are entitled to a better picture of the economic survey and analysis made by the minister so we may know just what this will mean as far as the cost of living in Canada is concerned.

The minister is seeking to get the provinces and the municipalities to do more of their borrowing in Canada. That is a desirable objective. He hopes by his present policy to enable that money to be borrowed at lower interest rates. That is an objective with which we all agree, and we hope it saves the millions of dollars that the minister is looking for and anticipates. I should like to see this policy of economics carried all the way through, but the minister does not do that.

Of course we agree with the devaluation of the dollar and the stated objectives which we hope will follow, but what will be the cost on the other side of the picture, to the provinces and municipalities, which have to pay back hundreds of millions of dollars which they have borrowed in the United States and elsewhere, on the basis of that devaluated dollar? I suggest it will cost millions of dollars which the provinces and municipalities have not anticipated having to pay. How and to what extent is this going to be balanced? I suggest this involves some of the basic economics which have not been explained by the minister. I suggest that it is not fair to give only one side of the picture, and that to do so is to mislead the house and the people.

Mr. Speaker, as my time is moving on much faster than I anticipated I should like at this time to refer to one of the most important phases of the proposal of the Minister of Finance, which has not been referred to very much as yet. I refer to that portion of the minister's statement where he deals with dominion-provincial fiscal relations. I find his suggestion in this regard most disturbing. He has proposed that the tax rental system be discontinued on March 31, 1962. Mr. Speaker, I think I know something about this subject, because I was a member of the British Columbia legislature in 1941 when the first tax rental agreement was introduced. I was also there when this agreement was reaffirmed with changes five years later.

In 1941 the federal government asked the provinces of Canada to enter into a tax rental agreement. Why did the federal government do that? I suggest it was because of the necessity of the time for national planning and financing to meet the responsibilities of the national government in time of war. This necessity was recognized by the provinces at that time and they entered into agreements. During the years since the war these tax rental agreements have not been discontinued because they involve good principles and methods, and because of the basic thought that because this was good policy during wartime it might be good policy during peacetime, as there is still a need for planning and the solving of problems which must be overcome.

I felt that this was a good arrangement when it was first made and I still feel it is a good arrangement. I believe the new proposals set forth by the Minister of Finance in his budget represent a backward step on a downward path in respect to federal-provincial fiscal relations, and that it cannot lead anywhere but to bickering and difficulties.

Mr. Fleming (Eglinton): That is just what it does away with.

Mr. Winch: I feel this policy represents a serious departure from the path of progress which was laid out in 1941 toward national minimum standards. I suggest this new policy will renew the complications, duplications and inefficiencies in the taxation field. To use terms that were used at the time of the federal-provincial conference, the adoption of this new policy will mean a return to the tax jungles of the 1930's.

Mr. Speaker, I should like to emphasize the fact that I feel strongly about this matter of not only inviting but almost demanding that the provinces impose their own income taxes, because this policy is fraught with danger. I think we should recognize that without clear-cut leadership from Ottawa there is every possibility of a return, as I said earlier, to the tax jungles of the 1930's. Perhaps the most important result to the federal government will be the loss of its vestige of control over the use of income taxation as a means of combating unemployment and for stimulating economic growth. I can only envisage this proposal as an indication that from this time on the provinces and every individual in this country will be on their own.

I suggest all we have to do, Mr. Speaker, is to look back over the statements of the provincial premiers at the time of the October conferences, and the editorials which appeared in newspapers across this country at the time. I should like very briefly to refer to several of those editorials. In the Ottawa *Citizen* of October 26, 1960 there appeared an article under the heading, "Diefenbaker's Tax Proposals Stun Premiers". In the *Leader Post* of October 26, 1960 there appeared an article under the heading "Sask. Will Oppose Proposal on Taxes". That article reads in part as follows:

> Premier T. C. Douglas has branded Prime Minister Diefenbaker's proposal to end the tax rental formula as a surrender to the wealthiest provinces and a "complete betrayal" of the others.

The Toronto *Star* of October 27, 1960, included an article under the heading "P.M.

Offers Return to Tax Jungle". Let me quote two paragraphs from this article as follows:

> Prime Minister Diefenbaker proposes to abandon the present tax rental agreements with the provinces and let them levy their own income, corporation and succession taxes.
>
> This would be a double step backward. It would tend toward the Canadian tax jungle of the 1930's and it might easily promote national disunity by setting province against province, region against region.

I should also like to make reference to a statement made by the premier of Quebec as reported in the Montreal *Gazette* of October 27, 1960, which appears in an article under the heading "Lesage Opposes Proposal". Also in that same newspaper appeared an article written by Arthur Blakely under the heading "Premiers Reject Diefenbaker's 'Suggestion' ".

The last article to which I wish to refer in order to give the broad editorial picture of that time appeared in the Toronto *Star* of October 27, 1960, written by John Bird, a very eminent member of our press gallery, under the heading "Dief 'Turns Clock Back 20 Years' ". That article in part reads as follows:

> Prime Minister Diefenbaker's proposals to end tax-rental agreements, putting the clock back 20 years, have virtually united the provinces in opposition.

Mr. Speaker, I want to indicate how strongly I feel in regard to this matter of dominion-provincial fiscal relations and agreements, mostly because of one statement contained in the minister's budget speech as found on page 6655 of *Hansard* of June 20, 1961, which reads as follows:

> In short, it was proposed that the provinces would reassume their constitutional rights and responsibilities to impose and vary their tax levies as they saw fit.

I think that is the key to the minister's statement; he wants to return the constitutional rights and responsibilities to the provinces. I suggest that is entirely different, and an about face, to statements as I recall them made by the Prime Minister when he spoke in Massey hall during the 1957 election campaign. He said then that the provinces and municipalities could not discharge their constitutional responsibilities. Great as were the men and great as was their thinking at the time of confederation, they could not possibly conceive of the development of Canada and the development of new responsibilities of federal, provincial and municipal governments. The fathers of confederation had no idea of the development of Canadian democracy, whereby people looked to government as a right for health services, old age pensions, mothers' allowances, family allowances and unemployment insurance.

I suggest that this proposal of the government in this realm of federal-provincial fiscal relations, with a return of constitutional responsibilities to the provinces, is unfortunately an intervention in that section of the British North America Act which deals with property and civil rights, which means basically employment and all those other social benefits which I have mentioned. I suggest a serious mistake is being made here, because the result will be that those social benefits, which were not contemplated at the time by the fathers of confederation, will disappear because the residual power will now rest in the hands of the provinces.

Despite the interpretation of governments or courts I say that is wrong. The residual power should belong to and be a responsibility of, the federal government, and there is a section which can place it there. I say it is absolutely impossible for the municipal and provincial governments to accept these new responsibilities because of the limit on their taxation powers. I say it is absolutely impossible to have a national minimum across Canada on account of the difference in the wealth, in the resources and in the productivity of the provinces. Surely we have to have that in effect in legislation and in policy if we are all going to be Canadian citizens. I say, sir, that the government is throwing all this overboard by returning to the procedures in existence prior to 1941. In particular, of course, this can be applied to that vast problem of unemployment.

I remember reading not long ago a statement of the premier of one of the provinces in which he outlined this feeling—and I agree with him—that widespread unemployment is obviously a problem in which all members of government share a common concern, but the predominant responsibility of the national government to launch corrective measures cannot be denied. It is the national government alone that possesses the strategic control over fiscal policy, and foreign trade, and the constitutional powers and financial resources which must be thrown into the battle against unemployment at all times.

Sir, this matter of dominion-provincial fiscal relations is one of the most important things that could come before the members of this House of Commons. It is a matter which strikes home deeply to every citizen of Canada. Certainly it strikes home deeply in so far as the provincial and municipal governments are concerned. I say, sir, this government is letting down the people and the provincial and municipal governments in setting the clock back in not only the proposals but in the demand that I understand has been made by this government, by the Prime Minister, upon the provinces that they shall have their—I think the term is "acceptance"—in by the end of September of this year. The word

"acceptance" may not be quite right, but I do know that on one of the releases the month of September was given as the time for the reply by the various provinces. We do know from the press that questions have been sent to the government regarding the working out of some of the details and problems.

I do not think this new plan is in the best interests of Canada. I do not think it will work. If the government insists on going ahead with it I believe that after a trial period of a year or two we shall have to return to something different and something more along the line of the five-year agreements that have been in effect now since 1941, which the government have said are going to end on March 2 of next year.

I know the government has said it will work out a plan whereby it will collect these taxes. That is so typical and is hemmed in by restrictions, particularly the one which is referred to on page 6656 of *Hansard* where it is said that the federal government will take care of the collection provided the provincial tax base is identical with the federal tax base at all times. If the federal government is going to collect only if the provincial tax base is identical with that of the federal government I do not quite see how the minister is returning their constitutional powers to them. If the tax base is not identical at all times, then we are going to have a duplication in the collection of income and corporation tax.

Sir, I notice I am just within a minute of my time being up. I say this entire matter of the budget is important. I have had time to outline only two aspects. First, we have not had an explanation of the basic economics and we have not had that trial balance with what appears to be good and what can have a serious inimical effect on the other side of the picture. I think we are entitled to that. I think we must know that if we are to have a full understanding of this budget.

As I conclude the last half of my remarks may I say I believe this matter of dominion-provincial fiscal relations and agreements is of such a serious nature that before the government proceeds as it has now outlined it should take a second comprehensive and exhaustive look at what it is doing; otherwise it may be endangering the true meaning of federalism and Canadianism.

The Acting Speaker (Mr. Chown): I will give the floor to the hon. member for Leeds (Mr. Matheson) after the luncheon recess. It being one o'clock I do now leave the chair.

At one o'clock the house took recess.

[Mr. Winch.]

AFTER RECESS

The house resumed at 2.30 p.m.

Mr. John R. Matheson (Leeds): Mr. Speaker, I sit in this seat because there died on December 7, 1960, Hayden Stanton, a man greatly respected in Leeds and I believe by everyone with whom he ever came in contact. Hayden Stanton had the honour of representing my historic riding as a result of being elected in 1953 and re-elected in 1957 and 1958. What may not be so well known to members of the house is that before that time Hayden Stanton had a distinguished career in municipal government. He was loved by our people. I know he was loved in parliament, and I know that my presence in this house comes as something of a disappointment to an overwhelming group of representatives from different ridings in Canada. All I can say, sir, is that according to my lights I shall be as faithful to my convictions as I know my good and respected friend, Hayden Stanton, was for so long to his.

I must thank every member of the house for the chivalry with which I was received in this chamber just a few days ago. I walked up the aisle with something of a gasp in my throat. It reminded me of another vivid moment in my life when I was assisted by friends to look through a porthole of the *Lady Nelson* as we approached the city of Halifax and looking through wet snowflakes I had something of the same feeling that I had in joining this company of ladies and gentlemen.

It was a dramatic day on June 14, 1961, for many other reasons. We heard the Minister of Finance (Mr. Fleming) make an important statement respecting a senior servant of the government, Mr. Coyne. This came rather as a surprise because I think all of us who live anywhere near Ottawa had come to believe that there was a rather intimate relationship between these two gentlemen, the Minister of Finance and the governor of the bank. On December 9, 1960, the Montreal *Gazette* carried this story from Ottawa:

> Regarding the "sweeping indictment" of James Coyne by seventeen university economists, Mr. Fleming said he is at a loss to know their grounds... However, Canada is a free country and university economists have as much right as anyone to express their views on current matters.

I do not, of course, intend to dilate on the merits of this particular matter which has actually been so disturbing to so many people for so long. We could not understand public utterances and silence from the treasury side but we understand it now. An article which appeared in the *Financial Post* of June 17,

1961, under the heading, "The Nation's Business", speaks of the big fight and refers to the serious blows to the public service. The article has this to say in part:

> ... the wisdom and efficiency of our governments depend on the calibre of our top public servants and on their candor and self-confidence ... Hence the beheading of a very senior servant of the government like Coyne is a profound cause for concern. The effect on the very important group of senior public servants not yet decapitated will be very serious.

If this were a single isolated event we would wipe it away, but within recent recollection we have sustained other serious losses to the public service such as the loss of: Hector McKinnon, chairman of the tariff board, Clarence Shepard, 47 years of age, chief commissioner of the board of transport commissioners, George McIvor, chief commissioner of the Canadian wheat board, Davidson Dunton, 49 years of age, chairman of the board of governors of the C.B.C., Ernest Bushnell of the C.B.C., Mr. Nicholson, 57, commissioner of the R.C.M.P., Mitchell Sharp, deputy minister of the Department of Trade and Commerce, William Buchanan of the tariff board, Alan H. Jarvis, 46 years of age, in his prime, director of the national art gallery, Charles Gavsie, St. Lawrence seaway, Jean Lessard, St. Lawrence seaway—

Mr. Ricard: Don't come into Quebec and talk that way.

Mr. Matheson: —General Worthington, civil defence, and now in these last few days we have been hearing repercussions with respect to Donald Gordon. Again, without referring particularly to the merits of that or any other issue, all I can say is that in this country we can scarcely afford the wastage of any human resource, particularly human resources with this kind of intellectual quality.

We on this side believe and, indeed, I think it is believed throughout the whole house, that there is not one human being in Canada that we can waste. This is as important in the case of some senior civil servants and, indeed, perhaps more so, as in the case of the dreadful wastage that there has been among the youth in this country.

Mr. Grafftey: We do not see any youth in the opposition.

Mr. Matheson: Figures indicate that in 1960 the average number of unemployed males between the ages of 20 and 35 was 153,000, or 24 brigade groups of young men with hope, with determination and with purpose in their lives who were doing nothing in 1960, and this, Mr. Speaker, is 18 per cent above the figure for 1959.

To touch again on the matter of the bank and the Minister of Finance, it is difficult to address oneself to the merits as we have been permitted to hear only one side. However, I should like to refer to an article in the *Economic Journal*, being the quarterly journal of the Royal Economic Society. The editors were J. M. Keynes and T. H. McGregor. The article was printed in March, 1934. This goes back a long way, but let me read a few words set out in this learned article by a man esteemed by all banking authorities and a well known student of this subject, Dr. Clifford A. Curtis. The paragraph to which I should like to refer appears at page 54:

> There can be no question that it is the duty of the central bank to stand out against the pressure of governmental policies which the bank believes to be injurious to the public good. But, if a government decides that a certain monetary policy—using the term in its broad sense—is desirable, and if it is prepared to follow it at all costs and to be responsible to the public for it, then it must be, under a democratic scheme of government, the duty of the central bank to carry out this policy. In an extreme case, the bank may appeal to the sovereignty of the people by making the matter at stake a public issue between it and the government. Such a possibility, however remote, is bound to exercise some restraint upon even headstrong administrations.

The fact, Mr. Speaker, that such an issue has developed is a crisis in Canada. The reasons for it are, perhaps, not as important as the fact that this particular thing has happened. I come to this house with great respect for all members of this house, and particularly those gentlemen who adorn the treasury benches. We know the Minister of Finance as a man of scholarship in the law, hardworking, dedicated, of an exemplary character, and so on. I believe that when the minister presented his budget in June of 1957, he meant exactly what he said. I refer to an article in the Toronto *Star* of June 26, 1957. This article bears the headline "Fleming's First Budget 'Tremendous Challenge' ", and reads in part as follows:

> But Mr. Fleming says firmly that there will be a balanced budget.

I think that the distinguished minister intended precisely that. I compare that with the type of newspaper clipping we read today. The Toronto *Telegram* says:

> In a startling reversal of his past position, Mr. Fleming has devalued the dollar.

The Montreal *Star* says:

> Mr. Fleming predicts only a below average rise in gross national product. Our deficit in the current fiscal year will be a whopper.

The Quebec *Chronicle-Telegraph* says:

> Budget provisions pave road for more inflation.

We heard in detail something of the explanation of this in the speech given yesterday

by the parliamentary secretary to the Minister of Finance. I should like, in the few minutes that are available to me, Mr. Speaker, to try to address myself to some of the things referred to in this budget. I would say this, that the minister can be characterized as an expansionist nationalist, whereas Mr. Coyne can probably be described as a restrictionist nationalist. Probably the only safe course at the present time is for Canada to pursue a policy that is more internationalist. I put to you, sir, that the minister puts faith in exchange manipulation. The word "manipulation" is entirely appropriate to what is happening, dealing with the symptom rather than the economic problem, thinking that by manipulation of the symptom he somehow or other is going to be able to change the course of economic fortunes in this country.

I think we can credit the fact, in the light of the minister's explanation during his appearance on television, that he wishes to frighten capital so that a change will occur immediately. This is an extraordinary development. His course on the import side is obviously restrictionist; it could have no other connotation. Indeed the hon. gentleman's policy as outlined in the budget, so far as exchange is concerned, is just as restrictive as Mr. Coyne's policy is with respect to tariffs. What are some of the foreseeable results of such a policy? It certainly is going to increase the cost of consumer goods. This morning we heard about increased bread prices, and other increases will rapidly follow. Increases in the cost of machinery will be another result. It does mean that, in fact, there will be a drag on new investment in Canada. The minister has explained to this house that this exchange manipulation may provide something in the nature of a stimulus to exports. However, this is exceedingly uncertain because many of our important exports in this country are exports which do not respond very rapidly to price changes. It does seem, according to the best economic advice available, that a good many of our markets in the United States are to large buyers who need our products and are going to take these products in spite of a slight price variation. There will be a response in price very quickly by Canadian exporters who, regardless of the kindly advice and warnings of the minister, will take advantage of conditions. The result of this will certainly be to move export and all prices up, to give larger profits where there have been adequate profits before. What possible advantage will flow from this? The ultimate results will be higher costs for the Canadian people.

I would suggest, Mr. Speaker, that there is another very sinister aspect to this particular budget. This budget represents protection through depreciation. Some expansion is expected unless other countries catch on and retaliate. All we have to do is look back at the financial history of France and the United States, and particularly the morass into which Europe got itself in certain periods in the past, to realize how frightfully dangerous this course may be.

What about the international monetary fund? To what extent has Canada actually kept faith, to what extent is she now living up to her own exemplary record in the financial field? Moreover, such protection as is being afforded to certain people through this depreciation factor really means, if we analyse it at all, that Canadians hereafter must pay more for goods produced.

We are presently presented this choice, Mr. Speaker, in terms of achieving full employment. We can make the economy more efficient, and I submit that this budget does not do that, and does not address itself in any way to that problem. Alternatively, we can subsidize marginal industry by accepting a lower standard and that is the course of this particular administration. In so far as the exchange factor in this budget is concerned, certainly exchange depreciation rapidly destroys the competitive factor, the one thing on which Canadians should surely have concentrated their ingenuity in the last months and years. The exchange manipulation does not increase efficiency by one iota.

Let us look at it from another standpoint entirely. Up to now we have had a free exchange rate. The Prime Minister (Mr. Diefenbaker) has referred recently to his advocacy of private enterprise. Before this budget we have had a free exchange rate. What does that mean? It means an exchange rate determined by the play of day to day forces in the market—in the longer run by the position of our balance of payments. What about the alternatives, the fixed exchange rate which Canada enjoyed during the period from 1939 to 1950? This could work with certain advantages. A fixed exchange rate does give the trading community certainty about the rate. However, this government has given Canada neither. It has given Canada, if I may use the expression in a parliamentary sense, a bastard rate flexible but subject to political manipulation.

Now the minister gives us a manipulated rate influenced by market, by official action, that is the bank, and by the indecisiveness of the government itself. We have compounded on the natural laws of supply and demand the economic influence of the bank and the political influence of the government.

I put it to this house in earnestness that this is a dangerous and damaging thing to the future of this country.

How does the minister propose to "manipulate" the rate in the manner and to the extent he believes to be desirable? By the process of going into the market and buying United States dollars for which we need cash. Where are we going to get cash when we have an administration that, by its budget now, has piled up interest charges alone of something of the order of $200 million a year? Where are we going to go for the moneys that are going to be necessary to go into the market and buy these United States dollars? I submit that we have two alternatives. We are either going to borrow more or we are going to print more and neither is a very happy choice. We have to do one or the other.

I submit that this is an irresponsible act in another respect. We have had a policy declared with no action. What is the likely result of this announced policy? I submit that one of the first things we can look for is sharply increased United States investment in Canada—which I always thought was one of the things which the ministry side were very much against—but not United States investment in the sense of the past, not the establishment of some new industry and the earnest desire to build up, not speculative or risk taking at all, but rather such things as Americans buying Canadian homes, buying Canadian established businesses, buying what is already making a profit, buying stocks and so on and shares in Canada.

Can we not fairly say that the only result of this course—that is the Coyne-Fleming controversy—is victory for neither? No matter what the facts are, no matter what is presented to this house, there can be victory for no one. There can be only loss to all of Canada. When the Leader of the Opposition (Mr. Pearson) is being interviewed on television and elsewhere is being asked the question, "What would you do", I think there is only one proper answer. "No one else ever would have got into such a box." Have we ever heard of a situation in Canada where the head of the bank and the head of a ministry have worked so very badly together? Is this not part of a pattern—the decapitation policy of this government? Have we not seen this pattern develop with the loss of many extremely able people in Canada who were compelled to quit or who were fired?

This administration first came into power with tremendous fanfare. When we analyse the policy of the Prime Minister of Canada we find that he came into power in Canada with an approach that historically has had a tremendous popular appeal. It was nationalism. Nationalism was the key note of this great victory of the government in 1958; "the call for a greater Canadianism" appeared in full page ads across the country. In the Toronto *Daily Star* the Prime Minister is reported as promising:

> Probe of United States domination in Canadian firms.

In the Ottawa *Journal* he is reported to have pledged himself to:

> Canada's fight to control her own affairs.

The *Globe and Mail* weekly carried the headline:

> Won't take dictation: P.M.

This was the approach of this particular government, a very popular approach. I wonder whether this approach is not shown now more demonstrably than ever before by this unilateral monetary step which must be sharply resented and which will bring retaliation from other countries with which we have had happy and profitable relations in the past.

As my time runs out I think it would be wrong not to address myself more positively to the growth of Canada. I can only do so in a word but I would put to the house this submission. The thing that we should be aiming at now and exploring zealously and courageously is the extent to which Canada can truly become more competitive, not less competitive, in the international field.

There are one or two things about this budget that I like. I am greatly pleased about proposed portable pensions. I think it was the parliamentary secretary who said that this may be more important than perhaps anything else, and I agree with him. Surely this is something that can be a basis by which we can use and constantly upgrade human talents in this country and establish a program whereby no man or woman, however young or however old, is useless. Surely this can be a basis, conjoined with other things such as bold technical training and retraining whereby we can actually move rapidly towards a skilled society, one in which we are unafraid to meet competition from any source. We know what has happened in other countries. We know of the great developments in Germany under Ludwig Erhart. At page 33 of his book called "Prosperity Through Competition" we find this paragraph:

> The foreign trade policy which we are pursuing, in spite of much criticism over the past nine months, is based on the conviction that our economic task—the employment and maintenance of over 12 million more people than before the war—cannot be carried through, but must founder in a cul de sac unless we create more air in this manner... Above all we must not try to achieve an apparent success through increasingly watering down our money—

Something we in Canada are doing right now.

—which has at last become stable and thus move towards inflation. In that way we would steal imperceptibly the money of those who have saved. That would be the most damnable method which could be conceived.

Surely this is the type of policy we need in Canada, and I think the *Globe and Mail* of March 15, 1961 summarizes this neatly when it says:

What is needed is a better economic climate in Canada—a climate that will encourage development, ingenuity, buying and selling; a climate that will stimulate competition by making competition worth while.

(Translation):

Mr. Speaker, I live along the upper St. Lawrence, in Brockville, the island city.

When I was young, I used to live in the picturesque port city of Quebec and sometimes I went sailing on the St. Lawrence at the point where the salt water begins.

Canada must be like its great river fearing neither depths nor vast expanses, working in close co-operation with all countries of the world, not only in the cultural field but also in the economic field.

We shall no more succeed in retaining the waters of the St. Lawrence than we shall be able to stop the development of our country, by trying to cut it off from the rest of the world through certain protectionist measures.

(Text):

I see that my time has almost expired Mr. Speaker, I thank the members of the house for their kind attention. It seems to me that if we are serious about this business of really using enterprise as the stimulus to move forward, we must be concerned about the extent to which we really mean what we say. In closing I quote from *Canadian Insurance* of May, 1961, where their opening editorial comment states this:

History records that no nation or empire has survived when 50 per cent of the people's income went to support the government and Canada is only 10 per cent short of that fateful margin.

All of us must take this as a warning and start to think in terms of real growth, of real development, of truly building a much larger gross national product. Only in this way, I earnestly submit, can we hope to achieve nobler goals in terms of social security and achieve genuine material progress for our people.

Mr. Hubert Badanai (Fort William): Mr. Speaker, it seems to me that the main theme of this budget is the minister's belief that the measures which he presented and proposed will create new opportunity for all Canadian producers. He has undoubtedly

[Mr. Matheson.]

come up with at least three suggestions which have long been advanced by members of the opposition. During the past three years I have tried on various occasions to direct the attention of the government to the benefits which would result to the automobile industry from the elimination of the 7½ per cent excise tax, and I am happy to see that this tax has at last been removed. I wish to put on record, from the pages of *Hansard*, some of the observations I have made on the subject dating back to 1958. As reported at page 1862 of *Hansard* for that year, I said, and I quote:

I submit that the presence of this 7½ per cent tax on passenger cars is a threat to the steady employment of thousands of Canadians. I am convinced that its removal would provide more jobs and more steady employment than any measure the government has so far introduced in an effort to reduce unemployment. This is a serious handicap to have hanging over an industry so vital to the economic well being of Canada. The excise tax creates instability in this major industry upon which so many people from coast to coast are entirely dependent for their livelihood.

I wonder if hon. members realize that one in every seven persons in the entire labour force of Canada is employed in the automobile industry, exclusive of service stations dispensing products necessary for the operation of motor vehicles. In other words this tax creates a situation of instability for this large group of Canadians.

Automobiles are taxed in so many ways on both a federal and provincial basis that it would require a lengthy computation by a battery of so-called mechanical brains to find out just how much of the cost of a car is accounted for by taxes.

Again, speaking in the same year on the bill to amend the Excise Tax Act, I said as reported at page 2864:

Mr. Speaker, because of the fact that this bill does not meet with the approval of what I believe is the overwhelming majority of the Canadian people who fully expected the elimination of the excise tax on automobiles—

Then I proceeded to move the following amendment:

That this bill be not read a second time until further consideration has been given to the repeal or reduction of the excise tax on motor cars.

Of course, the massive majority supporting the government defeated the amendment as was to have been expected.

Then, on April 14 of the following year, I made the following statement to be found at page 2694 of *Hansard*:

Does the minister realize that today the motorist is by far the most heavily taxed individual in Canada? If he does he has not shown any regard for the benefits that would result from the removal of this tax which, in addition to giving a little well-earned relief to the prospective new car owner, would stimulate sales and create more jobs not only in the automobile plants but in the iron ore pits, the coal mines, the nickel mines and the aluminum plants which are now in the doldrums, the textile industries and dozens of suppliers of materials too numerous to mention.

In 1960, during the tax act debate I again brought up the matter in these words:

I wish to bring to the attention of the Minister of Finance what has already been repeated in this house over and over again, namely the 7½ per cent tax on automobiles, the presence of which is discriminatory, in addition to being a threat to the already shaky employment situation in the industry.

On March 10, 1961, on the orders of the day I asked the minister the following question:

It arises out of the 3 per cent sales tax imposed by the Frost government of Ontario which would increase the retail delivery cost of passenger cars already burdened by a federal 11 per cent sales tax and a 7½ per cent excise tax. Can the minister inform the house whether consideration is being given to the elimination or reduction of the excise tax on automobiles?

After several interjections by hon. members, the minister replied as follows:

Mr. Speaker, the government will continue as in the past to try to undo all the harm that was done to that industry and many others by the former administration.

I do not think the reply given by the minister succeeded in impressing anyone. It certainly did not impress me.

Again, speaking on the excise tax, I had this to say as reported at page 2912:

Relief from the excise tax on passenger cars is needed to help the Canadian motor car manufacturing industry combat the increasing sales of European cars, and would permit the continued growth of the Canadian passenger car manufacturing plants. But, Mr. Speaker, over and above all I have said with regard to the facts and the figures, the excise tax is discriminatory because the automobile is the only major consumer article still subject to special taxation, and I submit to the minister that a re-examination of this provision should be made without undue delay looking to the elimination of this unwarranted tax.

Notwithstanding opinions to the contrary, I have been a consistent advocate of lowering the value of the Canadian dollar in relation to that of the United States dollar because I have felt this would have the effect of removing the disadvantages with which Canadian manufacturers and producers have to contend in the export of goods to other countries.

Speaking in the debate on the speech from the throne in 1960 as reported at page 232 of *Hansard* I said:

Our region derives a great deal of its development and prosperity from the products of its forests. We are a great centre of pulp and paper manufacturing, 95 per cent of which is being exported to the United States, and the same can be said about the rich iron ore of Steep Rock iron mines, which within five years will ship eight to nine million tons of ore annually valued at $100 million to our neighbour to the south.

This, of course, sounds good but the fact that our Canadian dollar sells at a premium of approximately 5 to 6 per cent over the United States dollar makes Canadian pulp and paper, especially, more expensive and we are faced with keen competition from other countries in this market which has always been looked upon as our own preserve. The crux of the question is that we cannot afford the luxury of maintaining the price of the dollar above that of the United States. To have the most valuable dollar in the world may be a source of great Canadian pride, but unfortunately if it is going to remain high it will have the effect of reducing income from sales which are made, and encourage Canadian purchases of products of other countries.

To bring the Canadian dollar to parity with the United States dollar is, I believe, one of the very first objectives of this government. Nearly three quarters of a billion dollars worth of iron ore is being sold annually to the United States and approximately a quarter of a million is sold to other countries.

If we were to consider trade alone, our dollar would be worth 95 cents and not $1.05 in terms of United States dollar value, because of our trade deficit. What keeps our dollar high, as every one knows, is the inflow of fresh investments and the borrowing of our provincial and municipal governments along with private corporations. According to official figures, United States capital in Canada represents about 52 per cent of total investment in manufacturing, mining, oil and gas. It can be and has been said that we are purchasing our prosperity by giving title to our resources to outsiders.

In the budget speech of that year at page 2673 of *Hansard* the minister made this observation:

There is a related question upon which I should like to dwell for a moment. This is the question of our exchange rate. The external price of our Canadian dollar has been high for eight years now and is currently running about 5 per cent above the United States dollar...

Apart from the economic objections to such policies it would be a very difficult matter to work out effective technical means of control. Even then the controls would not be effective unless the objective were one which commanded the broad public support which is necessary for general compliance. In other words we would be embarking upon a gigantic financial speculation with no assurance of success.

When I rose to speak on that occasion I said this, as found at page 2915 of *Hansard*:

With that statement the minister is attempting to give this question an air of finality which should not be raised now or ever, at least until the government will decide when it will be appropriate for further review. The minister contended that the inflow of foreign capital was responsible for the premium on the Canadian dollar, but said nothing about the borrowing in the United States by provincial governments and municipalities and private corporations, a procedure which many would agree to have been chiefly the result of poor financial management. It is a statement which does not take into consideration the artificial value of the dollar which in reality, having regard to its true value in relation to our trade deficit, should be worth only 95 cents instead of the $1.05 in United States dollars. I think the truth of the matter can be found in the suggestion that the Canadian dollar is presently being manipulated by a few international financiers.

The artificial value of our dollar is damaging our tourist industry to the tune of millions of dollars. It has severely handicapped northwestern Ontario major industries, pulp and paper and forest products, and the iron ore from Steep Rock iron mines. I submit to the minister that he would render Canada an excellent service if he would reconsider the question in the light of what parity

of our dollar with that of the United States would mean to our export trade and to the development of Canada.

Speaking on the baby budget on January 24, 1961, as reported at page 1382 of *Hansard* of that date again I referred to the subject of the premium on the Canadian dollar:

The minister had nothing to say about the premium on the Canadian dollar. It is true that it is now at near par with the United States dollar. However, a stabilization of the rate of exchange for the Canadian dollar should be considered now. It should have been done a long time ago.

The apparent advantage of the premium has actually been a problem which interfered with the stimulation of export trade. I directed a question to the Minister of Trade and Commerce in the house during the trade commissioners' conference in Ottawa. I asked whether the high priced Canadian dollar had been discussed. I was more than mildly surprised to receive a negative reply from the minister whose responsibility it is to promote exports.

I venture to say that the minister of the newly created Department of Forestry—to whom I wish to express my congratulations upon his appointment, and also my best wishes—will not find it difficult to agree that the premium on the Canadian dollar has been a definite detriment to the forest industries, which are substantial in the economy of our nation. Were it not for a healthy pulp and paper business northwestern Ontario would be economically insolvent. I need not remind the minister that practically one third of our annual total exports is represented by pulp and paper, lumber and other forest products.

It is no secret, therefore, that in respect to lowering the exchange rate of the Canadian dollar I am in agreement with the program.

The plan of portable pensions merits the support of every hon. member in this house. Speaking on the vesting of pension rights, a subject which was introduced by the hon. member for Welland (Mr. McMillan) on May 24, 1960, I had this to say as reported at page 4208 of *Hansard* of that date:

Mr. Speaker, I rise to participate in the discussion of this very important subject. I was interested in hearing the Minister of Finance state that portable pensions are not a matter of federal jurisdiction. I maintain, however, that the federal government has some responsibility in the matter of pensions and the provision of a general pension plan acceptable in every part of Canada. If that is the case, then it has got to be a federal proposition and not merely a matter of provincial jurisdiction.

One of the major problems facing workers in industry today is the difficulty of men over 40 getting another job if for some reason their previous job comes to an end. As everyone knows, the acceleration of technological change has hit the hardest at older workers who have been displaced by machines. Many of these displaced workers were participants in pension schemes of all kinds, as intimated by the Minister of Finance, but their prospects for security are threatened through loss of employment. As a result, people 45 years of age and over find it extremely difficult to get a job in industries that have their own pension plans which in many instances preclude the hiring of men and women over 40. The only fair solution to this problem, and it is a serious problem, is a measure or method, call it what you will, which would permit an employee to change his job without affecting his pension plan.

[Mr. Badanai.]

On March 16, 1961, as reported in *Hansard* at page 3033, I asked the Minister of Labour (Mr. Starr) if he knew of a statement made by an official of his department to the effect that legislation on portable pensions would be introduced in the near future. The minister replied that he had been informed that the statement had no reference to federal legislation, but dealt only with the possibility of provincial legislation.

These and similar observations have been placed on the record by me regarding these three subjects, which should indicate that these desirable measures were not hatched in the fertile brain of the Minister of Finance who, after much prodding, came to the conclusion that suggestions made by members of the opposition have merit, after all. I will give him credit for a belated acknowledgment of their worth.

I also appreciate the minister's concern for the tobacco grower who he is going to help by allowing a fatter cigarette without an increase in tax. However, while he was thinking of cigarette smokers, I am surprised he did not give consideration to the users of soft drinks, chocolate products and toilet goods, because these commodities are of general universal consumption as are fruit and meats.

A budget designed to expand the Canadian economy should certainly contain a proposal for a municipal development bank from which municipalities could borrow for essential projects on long term and at rates of interest close to those which the federal government pays. This is, among other things, one of the striking omissions of this budget. The absence of such a fund has forced municipalities to borrow heavily in the United States money market to finance their local improvements, and these municipalities will have to repay their debts in United States funds which, with the devaluation of the dollar, will mean a substantial loss to them. Both these measures, the lowering of the value of the Canadian dollar and the establishment of a loan fund to help municipalities, should have been undertaken at least three or four years ago.

Mr. Fleming (Eglinton): Why not five or six years ago?

Mr. Badanai: The failure of the government to implement much earlier these recommendations which were made in this house over and over again, at least since I have been in the house—I am not concerned with what happened years ago; I am concerned only with the past three years since I was elected to this parliament—has been a contributing factor to unemployment and has served to retard the recovery of the economy

The idea of establishing some kind of a national institution to facilitate municipal borrowing has been put before the government on numerous occasions. The municipalities are asking for access to capital funds at costs within their capacity to pay. In their importance as basic community needs many local improvements are of equal priority with those of the senior government. It would be only fair to enable municipal governments to have the same advantages as senior governments in respect of the capital market, and the only effective way to accomplish this desirable equity is to establish a municipal development fund or bank, call it what you will, to assist the municipalities, with the co-operation of the provinces, in borrowing for their needs.

The Canadian Federation of Mayors and Municipalities favours a federal agency which could be named the municipal development bank, the main function of which would be to purchase the bonds of a municipality subject to the approval of the province. The terms of such loans to the municipal governments would be as favourable as possible, consistent with the cost of the federal government's own borrowing. This would not eliminate the private investor who would still participate in municipal, financing, either by sharing in the initial underwriting or by purchasing bonds from the bank. A federal government guarantee of such securities would be as sound in principle as the federal government's guarantee of Central Mortgage and Housing Corporation.

I wish to submit another good reason for such a municipal loan bank within the jurisdiction of the federal government. The federal government has a triple role to play in co-ordinating capital expenditures, public and private, which come within the framework of the national economy as a whole. Such co-ordination would ensure a condition of steady growth and stability. At present I doubt whether the government can clearly see, let alone co-ordinate, the capital expenditures of the three levels of government. Over and above any other consideration, such a bank would certainly facilitate borrowing within Canada for Canadian needs. It would, therefore, be a positive means of implementing the federal government's policy of encouraging more reliance upon domestic savings.

The establishment of such a fund or bank would also remove the frustration and obstacles to development; it would give a sharp incentive to the forward planning of growth and redevelopment. It would also help to keep in each urban area a planned capital development program which, if implemented, would provide work and satisfaction in seeing the fulfilment of community needs.

At the lakehead we have a lakehead planning board, with a full-time capable planning engineer, whose plans are awaiting capital to transform the lakehead cities into a co-ordinated unit which would have the sure effect of attracting new industries and more people. I ask the minister to consider the suggestion of establishing such a bank at the earliest opportune time.

The Bladen royal commission report contains a recommendation which would have been of doubtful value in my opinion, had the government implemented it in the budget. I am referring to the 10 per cent duty on British cars which the commission has recommended. Today the United Kingdom is more and more under pressure to divert her trade to the European community. Such a tariff proposal would be just another obstacle to our maintaining our trade relations with Britain. If Britain chooses to join the European economic community we should then lose no time in allying ourselves with the same bloc. After all, Britain buys in round figures $1 billion worth of commodities in Canada, while our purchases in that country do not give Britain a favourable trade balance. These are factors—

Mr. Pugh: Will the hon. gentleman permit a question?

Mr. Badanai: Let me finish. At the conclusion of my remarks I will answer any question the hon. member wishes to ask.

These are factors which command the attention of the government to a degree which has seldom been necessary in the past. In this budget the Minister of Finance has endeavoured to create the impression that he is providing Canada with a planned deficit in order to stimulate the economy. In reality the deficit that the minister will incur this year will be the result of an increase in expenditures based on departmental estimates that were drawn up as early as September of last year, and which had very little to do with the recession or its cure because unfortunately at that time the government did not recognize that the economy was suffering from a recession which caused wholesale unemployment.

In the final analysis, Mr. Speaker, this budget can only be assessed in terms of whether or not it contains solutions to three of Canada's principal economic problems, first, unemployment; second, balance of payments; and, third, economic growth.

With regard to the solution of the unemployment problem, there is little in the budget to tackle effectively this basic trouble. There

is little or no support for the vocational retraining program established recently on a federal-provincial basis.

The Minister of Finance cannot put everything in his budget, but at the present time it is almost inexcusable to overlook support for a program upon which the government has placed so much emphasis. One might even wonder how sincere the government is in its sponsorship of this vocational retraining program when in the budget it grants tax relief to volunteer firemen but nothing is granted by way of tax concessions to those who undertake the vocational retraining program which is being done largely on a voluntary basis, or for that matter to those who are trying to educate themselves or their children at their own expense.

With regard to tax concessions granted in the budget for research, there will be little increase in the amount of research done by Canadian firms. A more positive incentive must be provided. If research is to be effectively stimulated something like a double tax credit will have to be given for expenditures for research.

The minister proposes to raise the tariff on textiles coming into Canada. These will come largely from Britain, Japan, India and Italy with which usually we have a favourable balance of trade.

Mr. Deputy Speaker: Order. I am sorry to interrupt the hon. member but his time has expired.

Mr. Pugh: The hon. gentleman said he would permit a question at the conclusion of his remarks. May I ask it now?

Mr. Deputy Speaker: With the consent of the house it may be put.

Some hon. Members: Go ahead.

Mr. Pugh: My question relates to the imbalance of trade with the United Kingdom. The hon. member said that exports from Britain to Canada were far greater than our exports to that country.

Mr. Badanai: No, it was the other way around. Our exports to Britain are greater than our imports from Britain.

Mr. Pugh: Yes, that is correct as to the total figure. Has the hon. member the figure for per capita trade with the United Kingdom and is he aware that it is greatly in excess of the per capita trade with Canada?

Mr. Badanai: The hon. member has asked a question that I should try to—

Mr. Robichaud: Take it as notice and answer in due course.

Mr. Badanai: Great Britain has approximately 50 million people and Canada has about 18 million. If you wish to establish that figure, all you have to do is to use your pen or pencil and you will have it right away.

Mr. Pugh: Would the hon. member answer the question? Is he aware that exports per capita from Canada are far in excess of imports from the United Kingdom on a per capita basis?

Mr. Badanai: I presume that some members on the government side will undoubtedly take part in this debate and I sincerely trust that the hon. member who has asked me this question will make a speech before the end of the debate. I think it would be in the interests of all concerned for as many members as possible to rise from their seats and speak on the budget.

Mr. Ricard: They would sound much better than your speech.

Mr. Badanai: Inasmuch as I have been asked these questions, I should like to quote from an editorial in the Fort William *Times-Journal* of Wednesday, June 21, which seems to sum up the general reaction to the budget in these words:

> No doubt a host of Canadians feel disappointed with the budget brought down in the House of Commons last evening. Finance minister Fleming may have provided the right nourishment for an ailing economy. But the menu is nothing like the fare which many had led themselves to expect.

(Translation):

Mr. Maurice Bourget (Levis): Mr. Speaker, I was trying to look around the house to see whether the friends of the Minister of Finance (Mr. Fleming) would rise at last to extol his budget and explain how beneficial were the provisions announced therein, according to him.

Mr. Speaker, I hope that we shall begin by having some order here, and if hon. members do not want to listen, let them go out. They did not speak last night. There was not a single Conservative member who rose to compliment or defend the Minister of Finance. They left him high and dry, and he is quite small.

Mr. Pigeon: The hon. member for Sherbrooke spoke.

Mr. Bourget: I hope I did not insult the minister when I said that he is quite small, because I did not say it with any bad intent.

Mr. Speaker, last Tuesday night, we heard the Minister of Finance make his budget speech. It was the fifth budget of the Conservative administration and the second one for this fiscal year. He wanted—

Mr. Fleming (Eglinton): It was the first for this fiscal year.

Mr. Bourget: I am sorry, the minister is right, it was the second in the fiscal year 1960-1961. Anyway, the minister took three hours to make that speech which, according to him should pull the Canadian economy out of its present stagnation. Well, after all the fuss of the last few weeks and the unusual delay in explaining the government's financial policies, the Canadian people, as I said last Tuesday night on television, was expecting a sensational budget. However, all the sensation contained in that budget was a deficit which will certainly this year exceed $700 million. The minister himself predicts that the deficit will be between $600 and $700 million but if we take the inaccuracy of his former predictions into account, we might easily expect a deficit varying between $700 million and $1 billion, an amount which is a far cry from the promises made by the Prime Minister at a press conference in Saskatoon on May 27, 1957, when he stated that the Progressive Conservative government would fulfil all its promises and reduce unnecessary taxes while balancing his budget.

And now, does the minister contradict this? Did the Prime Minister not say these words in Saskatoon?

Mr. Fleming (Eglinton): It was a good speech.

Mr. Bourget: It now becomes evident, Mr. Speaker, more particularly after this fifth budget speech, that the Conservative government, in this field as in all others, has proved itself incompetent. Far from having succeeded, even on a single occasion, in balancing revenues and expenditures. It has the sad distinction of having reached a peacetime high in this respect for the last five years. The total of its five consecutive deficits reaches the phenomenal figure of more than $2 billion. That deficit—

(Text):

Mr. McGee: Did you hear your leader on the radio last night? He approves of a deficit.

Mr. Bourget: The aggregate deficit incurred since 1957 exceeds $2 billion.

Mr. Fleming (Eglinton): A deficit of $2 billion this year?

Mr. Bourget: Since 1957 the total deficit under a Conservative administration has reached a figure of over $2 billion. That is the budgetary deficit.

(Translation):

This record breaking deficit of $650 million which is forecast for the current fiscal year will bring the Canadian taxpayers no general income tax reduction nor will it cut down substantially the extremely high level of unemployment.

In fact, in his budget speech, the Minister of Finance did not foresee more than a 3 per cent rise in the national income, that is only a little better than in 1960, which was a recession year. In that connection, Mr. Speaker, a few days ago I read an article which was published in the Wednesday, June 21 issue of the *Le Soleil*. I should like to quote a paragraph from that article:

> Mr. Fleming's speech mentions imports and exports. It also deals with several other important matters. It is based mainly on the expectation of an increase in the national product and income, but does not include anything likely to bring about an increase greater that could normally be expected. Indeed, it is a document lacking in dynamism. Short of a miracle happening from the outside, Canada must be content to mark time while seeing its national debt increase without being able to do anything about it.

That article gives us an idea of what independent people think of the present budget and of the results that can be expected from it.

At the outset of his remarks last Tuesday night, the Minister of Finance mentioned that every budget he has introduced since the Conservative party came into power was intended to answer current financial and fiscal problems. He added that this budget is designed to meet the present needs and difficulties of our country. "Flexibility, he said, has been the keynote of our financial policy in these four years."

Well, Mr. Speaker, allow me to say that besides having visions, the Conservative party now has delusions.

Indeed, one does not have to be an expert to understand that the measures enacted by the Conservative party since 1957, far from answering present problems, have only contributed to cause an economic stagnation.

After having been in power for four years, it seems obvious that the Conservative government is unable to correct the situation.

In June 1957 and March 1958, the people of Canada no doubt thought that they had elected people who could better look after the country's economy. Now, let us take a quick glance at what happened since the Diefenbaker team took over the administration.

Before I proceed, however, I think I should remind the house that when things are going badly in some sector of the economy, the Conservatives never miss a chance to imply

that all that is due to the legacy we left them. What legacy did we leave them in June 1957?

A $260 million surplus. A national debt reduced by $2.5 billion. An unemployment insurance fund of more than $900 million. Trade agreements with the United States from which the Canadian uranium industry was deriving revenues of $300 million.

In October 1957, according to statistical reports, only 3.4 per cent of the labour force was unemployed.

As a matter of fact, when the Liberals handed over the administration, the nation's business was in good order and Canada's prestige abroad was very high. Today, after four years of Conservative administration, what is the situation?

I said a moment ago that, under the last year of the Liberal administration, there was a surplus of $260 million, and that, from 1946 to 1957, we had succeeded in reducing the debt by $2.5 billion.

Well, let us see what use was made of such a legacy. During the 1957 fall session, the Diefenbaker government, foreseeing undoubtedly the general election of March 1958, reduced taxes by a total of $204 million and increased social security payments—excepting naturally family allowances—by an amount of $115 or $120 million. But subsequently, that is in the April 1959 budget, the people of Canada were soon to find out that the Prime Minister had forgotten his promises for that year, taxes were increased by $352 million. Moreover, contributions from the workers to the unemployment insurance fund were raised 30 to 50 per cent, which meant a further tax increase of $75 million. If we add this amount to the $352 million mentioned earlier, we find that taxes which were reduced in 1957 by $204 million, were increased in 1959 by $427 million.

In short, that means that the tax reductions granted in December 1957 did not last very long and that we had to pay a high price for the increases in social security payments.

We would have had a right to expect that those new taxes would ensure subsequent balanced budgets; but far from it, all the budgets submitted by the Tory government since 1957, far from being balanced budgets, showed deficits totalling over $2 billion.

Deficits are a tradition with the Tories as is well known. Since confederation, that is since 1867, in all the years that they were in power, and that means 43 years, there were only four years when the Conservatives succeeded in bringing down a surplus budget.

Should I also remind the hon. members of the colossal mistake made by this Conservative administration when in September 1958 it launched its famous conversion loan of $5.6 billion, the effects of which are still with us and the result of which has been to upset our whole economy.

We all remember that only a few months after this loan operation, the bonds lost from 12 to 18 points in value, with heavy losses for those who had to sell unmatured bonds. We remember also that money became tighter, which sent interest rates to an unprecedented level and deprived our industrialists, especially the smaller ones, as well as our businessmen of the funds required for modernization and development.

Our municipalities and school boards were also strongly affected by that situation, because when they were in need of money to carry out works that were absolutely necessary, they had to pay an interest rate which was often higher than 7.5 per cent. Needless to add that such an increase in interest rates meant for all our citizens an increase in municipal and school taxes for years to come. And, incidentally, do you know that since the Conservatives have been in power in Ottawa, the increase in the debt interest only has now reached more than $556 million?

It seems to me those arguments should suffice to show that the fiscal policy of the Conservatives has been a fiasco.

Have the results achieved by the Diefenbaker government been better in the field of federal-provincial relations? We still recall the promises made by the Prime Minister in that connection, among others, the one he made at St. Patrice de Beaurivage, in the constituency of my hon. friend from Lotbiniere (Mr. O'Hurley), on May 30, 1957, which is as follows:

> Everyone admits that the relations between Ottawa and the provinces are bad and that they are unsatisfactory to both provincial governments and municipalities. The federal government is rich, but the provinces and the municipalities are poor and cannot go on assuming their obligations.
>
> To summarize the attitude of our party, I repeat what I said when I opened the election campaign; we guarantee the provinces and municipalities a greater share of the tax dollar. We shall thus provide the provincial governments with the possibility of fulfilling their important constitutional responsibilities and of promoting the development of our natural resources.

Now, what has happened since then? Are the provinces and municipalities in a better financial position? Is it easier for them today to discharge their important constitutional responsibilities?

I say no, because at the fiscal conference last February, the government greatly disappointed most of the provinces. The federal government consented to very minor concessions in the field of the personal income tax. All it makes a pretence of giving the provinces in direct taxation it takes back immediately by changing the basis of equalization payments. Thus is sabotaged the formula for a fair redistribution of the national revenue the St. Laurent government had developed and called equalization.

After the last fiscal conference of February, the province of Quebec realized that there is nothing it can gain with the new proposals, that it will proportionally get nothing more than it did under the last agreement.

After the marvellous promises of the Conservatives in the elections of 1957 and 1958, our provinces were not expecting such a stab in the back. Therefore, the Conservative government must be held responsible for the unfavourable position in which it places the provinces as regards their future expansion.

I have here a statement made by the late premier of the province of Quebec, Hon. Paul Sauve, who had this to say in the fall of 1959, in a speech to the Canadian Manufacturers' Association:

> We have reached the limit and unless there is a more equitable distribution of fields of taxation between Ottawa and the provinces, there is nothing left to be done. If the federal authorities do not realize that in 1962, I cannot see—

That was a speech by the then premier of Quebec, who was not a Liberal:

> If the federal authorities do not realize that in 1962, I cannot see how confederation can continue to operate.

Neither must we forget, that, because of its numerous deficits and its many loans, the government runs the risk of dangerously exhausting sources of credit where the provinces and municipalities can find the capital they need.

It is therefore a mistake to contend that these new agreements will help the provinces to expand and develop.

Let us now look at the results of those steps taken by the Conservative government with regard to employment.

I said earlier today that in October 1957, 3.4 per cent of the entire labour force was unemployed. Yet it can be remembered how the Conservatives, when they were sitting on this side of the house, criticized the Liberal government of the day. Well, if we take the trouble to look into the figures supplied by the dominion bureau of statistics, we find that the yearly average number of unemployed under Liberal administration was as follows:

In 1953, 3 per cent; in 1954, 4.6 per cent; in 1955, 4.4 per cent; in 1956, 3.4 per cent.

Let us now take a look at the statistics under the Conservative administration. I shall skip 1957, because the government was Liberal for one half of that year and Conservative during the other half:

In 1958, 7.1 per cent; in 1959, 6 per cent; in 1960, 7 per cent.

It can, therefore, clearly be seen that under the Conservatives unemployment has considerably increased. Yet, people still remember the famous statement of the Prime Minister who said, "no one will suffer as long as I am Prime Minister".

Well, again in this field, and especially in this one, the Conservatives have failed to find the required solutions to this situation, because at no time since they have come to power have we seen so many unemployed in this country.

In February this year, Mr. Speaker, there were 727,000 unemployed Canadians, or about 11.2 per cent of the total labour force. The government now seems to find some satisfaction in saying there are only 457,000 unemployed. They do not need much to be comforted, for it must be realized that this figure of 457,000 represents 7 per cent of this country's labour force, as well as 38,000 more than at this time last year.

The most deplorable thing is that the Prime Minister and his ministers have been denying during all these last few years that such a situation was abnormal. They merely said that that situation would disappear with the snow or with the coming of spring.

The only measure, I must make haste, Mr. Speaker, the only measure which was adopted to remedy the situation was the establishment of a winter works program which called for a federal contribution of only 12 per cent, the rest being assumed by the provinces and the municipalities. Perhaps the government will decide to put into practice the "bread and games" plan suggested by the Associate Minister of National Defence (Mr. Sevigny) or perhaps will they say, as they

did before, that it is now up to employers and labourers to solve the problem because apparently the government has taken all the steps they feel they can take.

In short, that is a very sad inventory of the Conservative administration during the last four years.

The Minister of Finance has stated that the budget he has just presented is an expansionist budget. It is indeed an expansionist budget if, by that, he means that it increases the deficits we have had since the present government took power in 1957.

This is what he said to justify his deficit:

(Text):

In times like the present, a substantial budget deficit can promote economic expansion, with more jobs and better living standards for many thousands of Canadians.

(Translation):

In recent years, as I said a moment ago, we have had huge deficits. Hon. members will agree that in spite of that we have had a record number of unemployed and alarming spells of depression.

Since December 1957, Mr. Speaker, we have become used to hearing the Minister of Finance make optimistic predictions in the high sounding statements of his budget speeches. But at the end of the fiscal year, we always found that the government's financial proposals contained in the budget had in fact restricted our economic activities and had been utterly inadequate as far as increasing the production and volume of employment was concerned, as required for our expansion.

The speech delivered Tuesday night is only slightly different from the others. This is why it is a disappointment to the great majority of the Canadian people, and it can be concluded from the silence of our hon. friends on the government side that they are also disappointed with the deficit.

Mr. Pigeon: May I put a question to the hon. member?

Mr. Bourget: Mr. Speaker, I have always been willing to answer questions, but considering that since last night hon. members opposite did not have the courage to rise in order to defend their own budget, they have no right to ask questions.

Mr. Pigeon: You are a coward. You are a coward just like your leader.

[Mr. Bourget.]

Mr. Speaker: Order, order.

Mr. Bourget: Let the dead rise.

Some hon. Members: Silence, please.

Mr. Speaker: Order.

(Text):

Mr. Arnold Peters (Timiskaming): It is very interesting to hear this exchange, Mr. Speaker, and also to note that the Conservatives must now make their contributions by way of questions to the opposition. This seems to me to be a surprising way of presenting contributions to any budget debate.

Mr. Pigeon: We shall show by our vote.

An hon. Member: Sit down.

Mr. Peters: We have all watched what has happened during the past few months and it is very seldom that the backbenchers call a vote which the cabinet does not stand up and demand first. So we do not even get their opinion by the vote. They are probably getting to be better sheep than the Liberals were who preceded them in following the leaders.

Mr. Habel: We were not.

Mr. Peters: Maybe you were not, but that was the suggestion made at various times.

I think the Canadian people must have been very unhappy after this budget was presented. For days and days they had listened to an argument between Mr. Coyne as head of the Bank of Canada and the hon. member for Eglinton as Minister of Finance. They had heard them carry on a duel by letter and by remote control. They had come to the conclusion, I am sure, after the day long debate which took place in this house, that there was a difference of opinion. However, after listening to the minister's two and a half hour performance the other night I think the Canadian public came to the conclusion that there was very little difference in the positions taken by those two men. This is as it should be, since they are both Conservative economic advisers trained in very much the same school.

Ever since 1957 the Canadian public has been faced with an increasing amount of deficit budgeting. Previously, many Conservatives—and I am sure the minister himself was one of them—had felt that a budget in order to be a satisfactory budget should at least be balanced, and that the only reason for a deficit was the need to overcome some definite national emergency. I believe the

Canadian people held the view that the only reason for incurring a deficit, either in government finances or in their own personal finances, was when a need arose to acquire something urgently for which it was neither convenient nor possible to pay immediately; in any case, there was some reason that argued against saving the money in advance. I believe that during the war, especially, the Canadian people were willing to see large deficit budgets introduced because they knew exactly why such budgets were necessary. After listening to the minister speak for two and a half hours the other night I believe many Canadians are going to wonder just what this particular deficit is for.

It seems to me that if a worker got into the habit of going down to the finance company at the end of the week and borrowing $10 to pay his grocery bill and the other current expenses of his household it would not be long before the finance company would begin to take a serious view of his carrying on on that basis. Certainly there are credit unions—and I think it is true that credit unions probably take more interest in the welfare of their borrowers than do some other agencies—which would call the borrower in after making a few loans of this type and suggest to him that it would be to his advantage to borrow money only when he intended to use it to solve a particular problem. I think the Canadian people would go along with a deficit budget if the government could show that they are planning to spend more money than is immediately available to them only for the purpose of dealing with the economic recession and embarking on an employment program for Canadian citizens. But I believe we must look at this budget very closely if we are to find any evidence that either of these problems is being tackled with sufficient imagination and energy.

I think the country will also be concerned about the statements which the minister made about the relation of our economy to conditions in the United Kingdom, the United States and some other countries in Europe. He said these nations are experiencing an upturn in their economy and that this in turn will be reflected to the benefit of the Canadian people. This is probably true but it is certainly no justification for incurring a deficit in this country. That deficit is not helping us to solve our particular problem.

The C.C.F. party moved an amendment which stated in part:

—and this house regrets that adequate consideration has not been given and the government has failed to undertake social and economic planning necessary to stimulate the economy, provide full employment, and give an adequate level of social security by such specific measures as:

1. Raising basic exemptions under the Income Tax Act.
2. Increasing old age security and assistance payments.

The reason we have suggested this basic increase in the exemption granted to small wage earners is that the money will flow immediately into the purchase of manufactured goods and agricultural commodities. We believe similar beneficial results will follow an increase in old age security and assistance payments. Such increases would restore the original purchasing power of the payments. In addition, an increase in family allowances would in large part, through spending by the medium and lower income groups, return to the federal government to the tune of 33 per cent in taxation. It seems to me that these are places where some assistance could immediately be given back to the people.

It is my belief that this government has not told the Canadian people the whole story of the financial conditions which are facing us. I believe that if the whole story were really told it would probably become known that the unemployment insurance fund had been a much greater factor than anything else in stabilizing the economy in very serious circumstances. Had we not had the $900 million reserve nor the payments that have been made to the unemployment insurance fund, there should have been a great deal less consumer goods purchased in this country because a vast number of unemployed would be without money. I agree that this program has put money into the economy of this country and reduced to a great extent the impact of the recession that we have been through.

While it is true that these increases will put money into circulation almost immediately, it is also necessary for the government to provide employment immediately. I suggest one way of doing this, and I congratulate the Minister of Public Works in this regard, is to provide money for housing at times when private industry is not interested in doing so. The amount of money which was supplied through the Department of Public Works in this regard has done a great deal to alleviate the situation. I believe a similar policy should be followed in regard to providing money for municipal capital expenditure, as well as money for capital expenditures on the part of this government.

I was surprised to note, in the highlights of this budget, the number of things which are supposed to be of value in comparison with what has been suggested in a number of statements made by Mr. Coyne, the governor of the Bank of Canada. I agree that some of his statements have been made in regard to subjects outside the realm of his jurisdiction, and

a few of them have been made in a way with which the Minister of Finance did not agree. However, it has been generally conceded that a great deal of money being saved in Canada is being put into banks and other savings institutions, which should be reinvested in the national development of Canadian resources. There is very little difference of opinion as to how this should be done. The methods which are now being used are similar to those methods suggested by the governor on previous occasions.

I should like to ask a question, although I do not expect to receive an answer immediately. The fact that none of the Conservative backbenchers has spoken in regard to this budget I suggest is an indication that they have been directed to stand pat and not try to sell this budget, because it is impossible to sell unless the salesman possesses the extensive knowledge possessed by the Minister of Finance and his capable parliamentary secretary. Unless one does possess that ability and knowledge it is probably unwise, particularly for backbenchers, to try to show the value contained in this budget to their own constituencies because they are liable to muck the whole thing up.

In the choice of a new governor for the Bank of Canada I hope consideration will be given to the development that has taken place in respect to other banks in Canada, particularly with relation to consumer credit. The present governor of the Bank of Canada has had a great deal to say in this regard. He has suggested, as many Conservative backbenchers and others who support that party have said, that we should not spend more money than we have, and that it is not a good idea to live beyond our means. I believe that philosophy is followed by most Conservative finance experts and supporters.

Mr. Coyne has insisted that the 6 per cent interest rate be maintained. This has been a source of aggravation to the administrations of other federal lending legislation. The leader of the C.C.F. party, the hon. member for Assiniboia (Mr. Argue) has suggested on many occasions in this house that the limit on interest should be set at 6 per cent maximum in relation to loans made under federal legislation. He has introduced bills in this regard which have been talked out before even reaching a vote.

The head of one of the chartered banks in Canada has been suggested as a possible replacement for the present governor of the Bank of Canada. I should like to point out that the bank of which he is in charge has developed a small loans branch in competition with the finance companies. It is my understanding that the rate of interest charged, while not as high as the interest rate charged by finance companies, which I understand is as high as 28 per cent, on occasion reaches 11 per cent, including the normal legitimate charges allowed. I should like to ask if the gentleman in charge of this type of activity is the type of individual this government is considering as a replacement for the present governor of the Bank of Canada? If that is the case then I suggest it is a good indication of the fact that there is a real difference in opinion between the Minister of Finance and the governor of the Bank of Canada.

Mr. McCleave: Mr. Speaker, will the hon. member permit a question? Would he recommend the president of a credit union for this position? The rate charged by those organizations is even higher, at 12 per cent.

Mr. Peters: That subject could lead to a long detailed discussion in which I do not intend to engage at this time. I should only like to state that I have been a member of different credit unions and have always understood that loans from those institutions have always been made at the rate of interest of 1 per cent per month on the unpaid balance, which amounts to just slightly over 6 per cent. Hon. members may argue that is just slightly under 12 per cent, but I am not prepared to take up that subject at this stage. If I am wrong and the interest rate amounts to 12 per cent then I suggest the Bank of Nova Scotia small loans branch is charging twice that rate, perhaps as high as 22 per cent.

Mr. Fleming (Eglinton): Such nonsense. Why do you not get the facts instead of talking nonsense off the top of your head like that?

Mr. Peters: I have just said that I am not prepared to argue that subject. I have just suggested that the Bank of Nova Scotia, which the Minister of Finance seems happy and anxious to defend, makes loans charging an interest rate as high as 11 per cent. If the calculation made by the hon. member for Halifax (Mr. McCleave) is correct, then I suggest the interest rate charged by that bank is perhaps twice what I understand it to be.

Mr. McCleave: Nonsense.

Mr. Peters: Why do you not stand up and make your own speeches in this house if you wish to deal with this subject?

Mr. McCleave: Why do you not sit down when you do not know anything about the subject?

Mr. Peters: Mr. Speaker, hon. members are asking questions, to which I have tried to

give the answers. If they are not happy with my answers they are perfectly entitled to rise later and say so.

Mr. Fleming (Eglinton): Why do you not make a speech based on facts and refrain from making these statements of fantasy and imagination slurring these institutions when you do not have the facts to back them up?

An hon. Member: He always does that.

Mr. Peters: I suggest the hon. minister should not have used the word "imagination" because I listened for two and a half hours on Tuesday night to the hon. gentleman's budget speech which was nothing but imagination. As one of his own members has suggested, the facts were covered by so much confusion that it was impossible to understand what it was about. Perhaps that explains why there are so few of his colleagues speaking on this subject.

Mr. Speaker, a great deal has been made of the fact that the excise tax has been removed from automobiles. I am sure that the removal of the 7½ per cent tax will be of great interest to those engaged in the automobile industry. However, I suggest this will really not be of much help to the citizens of Windsor, because it is difficult for me to understand how a person can be said to be assisted because of the fact that he can now borrow $3,000 to buy a car in order to save $100 to $150. I suggest it is much more important that the unemployed in Windsor, Oshawa, the Oakville area and elsewhere be provided with jobs.

This tax alleviation fails to take into consideration the fact that we do not produce cars in Canada. All we do is assemble parts and, as the house knows, parts are going to be more expensive now than they have been before, because we have to import them. It has been decided that a great deal of our problem can be solved if we reduce the value of the Canadian dollar. I agree that the dollar should be reduced in value. I do not know why the Canadian dollar should ever have been valued higher than the United States dollar. Certainly our wage levels, our standards of living and other things are exceeded by those of the United States, except for the quantity of our natural resources. Why then should our dollar be higher in value than the United States dollar? I cannot understand this unless it has something to do with one of the highlights of the budget which says that the exchange rate on the Canadian dollar is to be pushed below United States parity by the purchase of United States dollars; lower exchange rates on the dollar are designed to help purchasers increase modestly the price of imported goods. We were told by the minister that this is done continually by manipulation of the amount of United States money we hold.

Mr. Fleming (Eglinton): I never used the word "manipulation"; never.

Mr. Peters: If the minister did not use this word in two and a half hours probably it is one of the few words in the dictionary that he did not use.

Mr. Fleming (Eglinton): The hon. member is going to supply it now and attribute it to me.

Mr. Peters: Well, I presume somebody regulates the supply and that would be manipulation. You would buy some when you wanted to lower the rate and sell some when you wanted to raise it which, in my opinion, would be manipulation. If the minister did not use this word, the effect I presume is the same.

Mr. Fleming (Eglinton): The hon. member just does not know what he is talking about.

Mr. Peters: This kind of action has a great influence in my part of the country, Mr. Speaker, because we have resources which are sold in the United States but we also depend heavily on the United States for imports. If it is done by the restriction of imports and the raising of prices on imported goods I am not sure that we are going to gain too much by this method of increasing our products. The gold mining industry is a good example of this. They have been suggesting for some time that the Canadian government do something constructive toward pegging the price of gold at a much higher figure than that at which it is pegged currently in the United States. Suggestions have been made, and certainly this would be one method by which the government could control—if the minister does not like the word "manipulate" —the purchase and the disposal of United States money. It would be a method that we could use to govern our exchange by our own holdings and maintain our reserves of gold in this country at a much higher rate than the current United States price of $35 per ounce.

I think the government has done some good in this budget. It has done one thing that I particularly like. It has permitted our volunteer firemen to get relief on those payments that are made by municipalities for out-of-pocket expenses. This has been a bone of contention with the volunteer fire departments because already income taxes and other taxes have been paid on this money. They are out of pocket in so far as this money is concerned. The minister—not this

minister but the Minister of National Revenue—is to be commended on having agreed to the many representations made to him in this regard. I thank the minister who introduced this in his budget as a method of giving this tax relief of $300 to the volunteer firemen who are doing such a good job in so many of our small communities across Canada.

I am concerned, and I think many people will be concerned, about the broad suggestions made in relation to expense accounts. While I agree with the minister that this is a free enterprise country, and that this may be a method of boosting sales—and it has been abused—I will be very surprised if it is not a fact that the people who will get it in the neck first are the salesmen across the country who are doing a good job. Although this is considered to be pretty wide open, I remember that the unions got called up on the carpet for allowances in this particular field. I hope the minister has other things in mind besides the small legitimate amounts which are necessary for people travelling across this country in the performance of their duties. I hope this is not to be considered income for that class of people.

The average man on the street is also interested in the statement the minister made about cigarets. I do not think the reaction will be quite what the minister expected. The proposal will mean one of two things. It will either frighten some people—who are already afraid—into thinking that they are going to get cancer that much faster because cigarets are all going to be king size, or it will provide longer butts for those who are unemployed and have to pick them up off the streets. In either case it is of doubtful value.

Mr. Fleming (Eglinton): Is the hon. member speaking from experience?

Mr. Peters: I am always glad to know there is so much interest around the house. So many hon. members are interested in this particular subject and yet they are unable to rise to their feet. They must have a special charm when they go back to their own electorate and tell them that the budget came down but they did not see fit to discuss it. There was nothing of any importance in the budget that affected their ridings. They did not want to hurt Mr. Fleming's feelings; they wanted to let him get on with firing Mr. Coyne and they were in a hurry to get the whole matter cleared up. This is not true of my riding. I do not necessarily have any exceptional charm but I have problems in that riding, as the people have. The minister talked about one of them and he talked about it in a way which indicates he has at least given consideration to the matter. I refer to the discussion of portable pensions.

It is not many years ago that portable pensions were unheard of. I can remember when the subject was first discussed in the mining areas. Miners were working for many years in the mines. Sometimes they retired at an early age. Sometimes they lived to retire at a normal pensionable age, and faced the fact that there was no money, no funds, no pension plan for them. Their position was exceedingly aggravated by the fact that in most instances they knew they could not have earned their living in their employable lifetime in any one particular mine because the mines did not exist that long. To be employed in the mine the miner had to be young and healthy and by the time he reached 60, 62 or 63, mines would have closed down and he would have had 10 or 12 years employment in one mine, maybe 15 in a second mine and a further period in a third. The miner had no opportunity to have a pension plan. The miners were also concerned with those very few places where a pension plan was in effect but the mines used that entirely as a weapon not for the employee but against him. They kept the employees in low-paying jobs; they told them if they did not like it to quit and obviously they would lose whatever pension they had accumulated. Usually they did not have a strong organization to speak for them and when they approached retirement age they were retired and did not receive any benefit from the fund.

Therefore our experience in northern Ontario has been a very poor one in relation to pensions. I can safely say that with the exception of the Sudbury area where the employees have had a longer mining experience in one mine, there have been very limited and very unsatisfactory pension arrangements throughout the whole mining industry.

This is true also, Mr. Speaker, in relation to lumbering, logging and the complete forest industry in which I also have had the opportunity of gaining some experience.

The Acting Speaker (Mr. Chown): Order. I regret to inform the hon. gentleman that his time has expired. Is the house ready for the question?

Mr. C. W. Carter (Burin-Burgeo): Mr. Speaker, the presentation of a national budget is a very important matter. In fact, it is one of the most important items of business that come before parliament at any session. A budget is meant to serve two main purposes. In the first place, it affords the government an opportunity to give to parliament and to the Canadian people an account of their

national housekeeping and of their stewardship. In the second place, it affords the government an opportunity to make a statement with regard to changes in fiscal and monetary policies, with respect to current economic problems and also with respect to anticipated changes in future economic conditions. Incidentally, the budget can also be used as a political instrument to promote and advance party interests. I feel that it is in some ways a sad commentary on our political maturity both as parliamentarians and as a people that this aspect of the budget, which is rather incidental, should in some cases assume sufficient importance to overshadow its two primary purposes which I have just mentioned.

It is true, I think, from what we hear over the radio and read in the press that the greatest interest in the national budget stems from curiosity with respect to whether or not it will indicate an early election. I believe that the times in which we are now living are too serious to permit this kind of indulgence because the economic strength of our nation is an important factor in our national survival and I think we should look upon the Department of Finance in the same light as we regard the Department of National Defence.

The role of the opposition as I understand it is to examine the government's stewardship during the past fiscal year and that must be done, of course, in the light of last year's budget objectives. The opposition must also examine the proposed changes and these must be examined in the light of current problems and objectives. In presenting the national balance sheet and an account of the government's stewardship, the minister should remember that he is reporting not only to parliament but also to all the people of Canada and the people should be treated as fully grown and mature adults who are mature enough to face facts even though they may be unpleasant and who are willing and able to take whatever steps may be required by way of correction no matter how drastic those measures might be.

To accomplish that, these facts of the national budget, the national housekeeping, should be stated briefly, clearly and simply in language which can be understood by the average man in the street. That does not require a document like the minister presented on Tuesday, a document so lengthy and so verbose that it took him nearly 2¾ hours to read it. I might add that he read it very rapidly. If he had not done so, I am sure he would have taken well over three hours, which would have been another record of some kind or another.

The document which the minister read had another disadvantage in that relatively simple facts of relatively minor significance were wrapped up in masses and masses of verbiage while matters of major importance, such as our international trading relations and the government's attitude to the trading blocs now emerging in Europe, were dismissed with only one or two sentences.

Mr. Fleming (Eglinton): Nonsense. There is a whole chapter on that subject. Were you not here?

Mr. Carter: I heard everything—

Mr. Fleming (Eglinton): There is a whole chapter on it.

Mr. Carter: —but there was no information. The only information that the minister conveyed about these matters was wrapped up in one or two sentences. I made notes the other night and I will refer to them if the minister wishes me to do so. With respect to external trade relations I wrote down that the minister said there would be no regional integration, no isolation, no association with trading communities and as to diversification we would continue to support GATT. That was the sum and substance of what the minister said with respect to trading relations on Tuesday night and I made a summary of it as he spoke.

Mr. Fleming (Eglinton): Will the hon. member permit me to direct his attention to pages 6650 to 6653, the chapter under the heading "International Trade and Commercial Policy". If he says this constitutes a few sentences, all I have to say is that he has done some extraordinary summarizing.

Mr. Carter: Of course it is summarizing. I am simply complaining that the minister gave so little vital information that the house and the people need that it could be conveyed in merely two or three sentences. The rest is just superfluous words.

Mr. Pickersgill: Verbiage, water.

Mr. Benidickson: Water plus Coyne.

Mr. Carter: I have not been here too many years but I can remember when a budget speech that lasted beyond an hour and a half or an hour and a quarter was considered long. We have listened now to four budget speeches from the present minister—

Mr. Fleming (Eglinton): You missed one.

Mr. Carter: —and each one seems to be getting longer and longer with less and less information.

Mr. Fleming (Eglinton): Keep on telling me what you are telling me and they are apt to

be longer because you say you are not getting enough information now.

Mr. Carter: Well, the minister has already doubled the normal length of time and is giving us just about half the information that we used to get.

Mr. Batten: And double the deficit.

Mr. Carter: Well, maybe the minister has had to expand his words to keep pace with his deficits. That may be the explanation for it. I want to urge the minister to consider this proposal, that in the future he prepare his budget in two parts. Part one should be prepared in simple, clear and concise language for the man on the street. It should contain the simple facts relating to housekeeping as they affect the lives of all Canadians. Part two should contain all the massive details in which only the financial experts and members of parliament who have a special interest in finance would be interested. I would be glad, if the minister would give me the job and pay me well during the summer, to condense his budget speech for him and put it in that format. I am sure it would be a model for him to follow in future years.

Mr. Fleming (Eglinton): May I ask the hon. member a question? If I prepared the budget speech in these two parts about which he speaks, which part would he read?

Mr. Carter: I would read the part for the man on the street; that is the information every Canadian wants to know and nobody knows at the present time, not even the experts.

As an illustration of stewardship, the government's report is not very reassuring. A year ago, in March 1960, the minister forecast a surplus of $12 million. On Tuesday evening he told us that a year later, on March 31, 1961, this $12 million surplus had turned out to be a deficit of around $345 million. Now, either the minister was very wrong—

Mr. Speaker: I am sorry to interrupt the hon. member, but it being 4.45 o'clock p.m. it is my duty, pursuant to section 4 of standing order 58, as provisionally amended, to put forthwith the question on the amendment to the amendment.

The house divided on the amendment to the amendment (Mr. Regier) which was negatived on the following division:

YEAS

Messrs:

Badanai	Bourget
Batten	Caron
Benidickson	Carter
Chevrier	Lessard
Clermont	McIlraith
Denis	McMillan
Deschatelets	McWilliam
Dumas	Martin (Timmins)
Dupuis	Matheson
Eudes	Nixon
Fisher	Peters
Granger	Pickersgill
Habel	Regier
Hellyer	Robichaud
Herridge	Rouleau
Howard	Tardif
LaMarsh, Miss	Tucker
Leduc	Winch—36.

NAYS

Messrs:

Balcer	Macdonald, Mrs.
Baldwin	Macdonnell
Barrington	MacEwan
Bell (Carleton)	MacLean (Queens)
Bell (Saint John-Albert)	MacLellan
Belzile	Macquarrie
Bigg	McBain
Bourbonnais	McCleave
Bourdages	McFarlane
Broome	McGrath
Browne (St. John's West)	McIntosh
Browne (Vancouver-Kingsway)	McLennan
Brunsden	McPhillips
Cadieu	McQuillan
Campbell (Lambton-Kent)	Maloney
Campeau	Mandziuk
Cardiff	Martel
Casselman, Mrs.	Martineau
Charlton	Matthews
Chatterton	Milligan
Churchill	Monteith (Perth)
Clancy	Monteith (Verdun)
Comtois	Montgomery
Creaghan	Morissette
Crouse	Morton
Danforth	Muir (Cape Breton North and Victoria)
Diefenbaker	Muir (Lisgar)
Dinsdale	Murphy
Dorion	Nasserden
Doucett	Nugent
Drysdale	O'Hurley
English	O'Leary
Fairfield	Ormiston
Fane	Pallett
Fleming (Eglinton)	Pascoe
Fleming (Okanagan-Revelstoke)	Paul
Forbes	Payne
Fournier	Phillips
Fulton	Pigeon
Gillet	Pugh
Grills	Rapp
Gundlock	Regnier
Halpenny	Ricard
Hamilton (Notre Dame de Grace)	Richard (Kamouraska)
Hanbidge	Rogers
Harkness	Rynard
Henderson	Sevigny
Hicks	Skoreyko
Hodgson	Smallwood
Horner (Acadia)	Smith (Lincoln)
Johnson	Smith (Winnipeg North)
Jones	Southam
Jorgenson	Starr
Jung	Stefanson
Kennedy	Stewart
Lambert	Tassé
	Thomas
	Thrasher
	Valade

Villeneuve
Vivian
Webb
Weichel
Winkler
Woolliams
Wratten—122.

Mr. Speaker: I declare the subamendment lost.

It being five o'clock the house will now proceed to the consideration of public and private bills, the former having precedence.

SWEEPSTAKES

LEGISLATION TO ESTABLISH HOSPITAL SWEEPSTAKES BOARD

Mr. J. F. Browne (Vancouver-Kingsway) moved the second reading of Bill No. C-36 to provide for the establishment of a hospital sweepstakes board.

He said: It gives me a great deal of pleasure to move the second reading of this Bill No. C-36 to provide for the establishment of a hospital sweepstakes board which would be empowered to operate a national hospital sweepstake. As hon. members know, there are some limits to the type of bill which a private member can introduce in this house, but it is my feeling that of all the bills which could be introduced by myself as a private member this one would be supported with the greatest degree of unanimity by my constituents and by Canadians in general.

I think it is recognized that the people of Canada do want a national hospital sweepstake, and I should like to deal with some of the evidence in support of this contention. First of all, I would turn to the Gallup poll which has in recent years become a well known indicator of public opinion and the results of which have in most instances proved very accurate. The last time the Gallup poll questioned the people of Canada on this subject was in 1955 and the organization released the following statement on September 14 of that year:

> There can be no doubt that a large majority of Canadians would like to see legalized lotteries and sweepstakes in this country. Even among the minority who disapprove, the largest number would change their opinion if the government were to run a lottery to raise money for health and welfare. Moreover, this feeling has persisted for a good many years.

The statement goes on to indicate that the question was asked: "Suppose the government operated a big national lottery to raise money for health and welfare; would you approve or disapprove?" Eighty two per cent of the people who were questioned answered "yes" to that question. I think that is a substantial indication that the people of Canada want a national hospital sweepstake.

It is interesting to look at some of the news stories which have appeared in recent years. I have here a number of photostatic copies of news clippings which were kindly forwarded to me by the Vancouver *Sun* and the Vancouver *Province* after I had requested them to let me have copies of relevant items they had carried in their columns. Throughout, a great many bodies and organizations have advocated sweepstakes in this country including provincial legislatures. One dispatch from the Canadian Press in 1938 indicates that a resolution requesting the dominion government to legalize the operation of a sweepstake in the province to benefit hospitals was passed by the Ontario legislature by a vote of 48 to 34. Here we have a provincial legislature on the record, a good many years ago, expressing support for this proposal and there is a clear indication that since that time public opinion has swung further in favour of a national hospital sweepstake.

I have another clipping concerning Ontario. It is undated, but it is a United Press dispatch indicating that the Ontario municipal association has forwarded a resolution to the provincial government calling for lotteries to support hospitals. Here is the case of another substantial body supporting action of this sort. Then in 1954, according to a C.P. dispatch dated Ottawa, March 18 of that year, a further request was made for such a lottery. In this instance the request came from the unions. The cutting reads:

> The trades and labour congress of Canada has repeated demands for a government sponsored lottery. The 580,000 member labour organization suggested an amendment to the Criminal Code allowing the federal government to set up a national lottery.

Here again is a substantial body on record as being in favour of a national sweepstake.

Another which appealed to me particularly is dated June 17, 1958 and is headed: "City Tories ask Legal Sweepstake". It reads:

> Vancouver-Kingsway Progressive Conservative association favours a national legal sweepstake.

The article goes on to indicate that the association had asked the member for Vancouver-Kingsway to present its resolution to the federal government.

I have another cutting dated January 28, 1950 with the heading: "Vets Want Legal Lottery". The dateline is New Westminster.

> An amendment to the Criminal Code to allow lotteries and raffles to be conducted in Canada providing all proceeds except necessary expenses be made available for charitable or/and benevolent purposes was requested in a resolution passed unanimously at the 27th provincial conference of the Army, Navy and Air Force Veterans in Canada held here Friday.

I think that is sufficient to indicate that there is large and varied support for a national hospital sweepstake in Canada. The position of Quebec is, of course, well known in this regard. Some years ago the province passed its own lotteries law, but because it

was in conflict with the Criminal Code they did not proceed with it. However, there can be little doubt that the people of Quebec would strongly support a national hospital sweepstake.

I noticed another submission which was made to the government of Canada last year by the legislative committee of the international railway brotherhood who were expressing some concern about hospitals in Canada. They indicated their support by saying:

> If it is necessary to engage in a scheme of hospital sweepstakes in order to provide the funds we shall be ready to endorse such a scheme.

This bill, if passed, would not, of course, be introducing anything new because sweepstake tickets are sold every day in Canada in large numbers. This proposal would make this legal and ensure that Canadian tickets rather than tickets from other countries are sold. There is a substantial sale of other tickets. I think we have only to consider the last Irish sweepstake which was so well publicized in Canadian newspapers within the last short while to see what is happening.

I have here an extract from the Toronto *Telegram* of May 25, 1961, under the dateline Dublin. It is an Associated Press dispatch and it indicates that the total ticket sales for the Irish sweepstakes was around $15,400,000 with prizes amounting to $9,100,000. It is further stated in this article that there are 27 first prizes of $140,000 each, 27 second prizes of $56,000 each, and 27 third prizes of $28,000 each.

To indicate how Canadians made out in the distribution of these prizes, I have here some extracts from the press which indicate the prizes that came to Canadians from that pool. From the Montreal *Star* of May 31 I took an extract which reads as follows:

> Five Canadians won the $140,000 pot of gold with Irish sweepstakes tickets on "Psidium", winner of the Epsom derby. Another nine held $56,000 tickets on second place horse, and seven had $28,000 tickets on the third place horse.

When considering the total number of prizes from the Irish sweepstake of that date it can easily be seen that Canadians received approximately 25 per cent. I think it can only be fairly assumed from that percentage that Canadians contributed a very substantial amount to that Irish sweepstake.

Another press release of May 31, from the Toronto *Telegram*, reads as follows:

> Canadians scooped nearly $2,500,000 from the Irish sweepstakes on today's derby at Epsom, England.

There again, not only the number of prizes but the amount of money indicates that Canadians won over 25 per cent of the prizes in that sweepstake, showing quite clearly that the people of Canada desire national sweepstakes and are already spending money on these tickets.

I suggest it is absolutely wrong that all this money is going outside of Canada, because our hospitals could benefit greatly from a Canadian national hospital sweepstake without costing the taxpayers of Canada one cent more than they are spending in this way at the present time.

Of course the Irish sweepstake is not the only one to which Canadians contribute. I make this statement as a result of a special article written in Sydney, Australia and carried in the Vancouver *Sun* of July 28, 1958. This article is headed "Canadian Cash Finds Way to 'Down Under' Gambling Set-up" and reads in part as follows:

> Cash each week flows from Canada to Australia's booming gambling industry.
>
> It comes mostly in the form of subscriptions to government conducted lotteries. There is also a dribble of dollars for Australia's uncounted numbers of art unions, raffles, sweeps and other gambling devices.

Here again is an instance of money going outside Canada when it could be very well used to benefit Canadian hospitals.

It has been clearly shown that the present law cannot be enforced. It is a well known fact that you cannot enforce a law that the public will not support. I suggest there is a great deal of evidence both from Canada and the United States to support this statement. This fact was recognized by the joint committee of the Senate and the House of Commons on capital and corporal punishment and lotteries which reported in 1956. I should like to read some of the statements contained in that report. Paragraph 6 of chapter 3 at page 64, reads as follows:

> There appeared to be widespread support for lotteries organized for charitable and benevolent purposes.

Paragraph 8 reads as follows:

> "Lack of public support for lottery laws"
>
> The committee notes that there is widespread difficulty in enforcement and it is disposed to accept the statement of the commissioner of the Royal Canadian Mounted Police that there is lack of support for the present prohibitory laws and that they cannot be enforced in the face of adverse public opinion.

Paragraph 9 reads as follows:

> The committee has little doubt that the results of this evasion of the lottery law are serious in that the law and law enforcement in general are thus brought into contempt.

Paragraph 10 reads as follows:

> An unsatisfactory product of the present situation is the existence of fraudulent lotteries which law enforcement agencies are unable or unwilling to control. This being so, it is difficult to protect the public from fraudulent lottery schemes where all or the major portions of the proceeds are taken by promoters. There was evidence of widespread sales of counterfeit Irish sweepstake tickets.

Paragraph 11 reads as follows:

In particular the committee is under the impression that most law enforcement agencies consider that clarification of the existing lotteries provisions will not of itself solve the difficulty and that some new departure in policy is required to bring order into the administration of the lotteries law.

Many law enforcement officers of the United States have made statements similar to those, and I intend to refer to only one made by a very experienced administrator of the law, Judge John M. Murtagh, who is a graduate of Harvard and was chief magistrate of the city of New York from 1950 to 1960, at which time he was appointed chief justice of the court of special sessions. I intend to read three statements from an article he wrote entitled "Gambling and Police Corruption". Those statements read as follows:

My professional career has been almost entirely in the criminal law, as prosecutor, as chief magistrate, and as chief justice of the court of special sessions. My experience with the enforcement of gambling and related laws has made me increasingly critical of the criminal process.

Further on in the same article he states:

I also endorse a government operated lottery, such as that proposed by congressman Paul A. Fino. The proposed lottery is very similar to the Irish sweepstakes, the Mexican national lottery, and the much newer French national lottery. These have been operated by government agencies without any breath of scandal. The major portion of the money taken in is paid out in prizes; the remainder is used on public health projects.

In the final paragraph of this article, Mr. Murtagh makes the following statement:

The underworld is thriving on our hypocrisy and stupidity. So long as we persist in our efforts to end gambling by prohibitory legislation, we promote police corruption. Police honesty can never be a relative matter. Police corruption erodes the average citizen's respect for the law and makes him cynical about all law enforcement. We cannot continue to tolerate a partnership that invites corruption. And, yes, we owe it to the judiciary to end the existing judicial farce.

I do not think it is necessary for me to go any further into that aspect of the subject, Mr. Speaker. The special committee which was set up to consider this matter presented the very definite opinion that the present laws could not be enforced. That opinion is substantiated by many law enforcement officers of other countries.

I should now like to indicate that not only the people of Canada are in favour of hospital sweepstakes, but that this seems to be very popular throughout the world. I intend to mention briefly some of the countries in which sweepstakes operate at the present time. I also hope to correct the erroneous opinion that has been frequently placed on record where it has remained unchallenged; the opinion that most of the money collected in sweepstakes is consumed by administrative expenses and little benefit accrues. I shall show that administration expenses in most instances are not high and that the money goes in prizes, for the most part, or to hospitals or other federal purposes.

The Irish sweepstake is of course the largest one and, over the years it has been in operation, 97 sweepstakes have been held. Paid out prizes total £117,890,377. In addition to the prizes that were paid out £48,197,543 went to Irish hospitals. This information compiled as of February-March 1960 was sent to me by the Irish hospitals' sweepstakes officials. This information also indicates that 410 hospitals and institutions affording free medical and surgical treatment have participated in sweepstakes which are controlled by the associated hospital committee. In addition to that, over the years money has been given to the Red Cross. They also pointed out to me that because the laws governing these sweepstakes do not permit the distribution of sweepstakes funds outside Ireland, Hospitals' Trust initiated, in 1937, the medical research council of Ireland, which operates on an annual grant from the Hospitals' Trust fund. This council's grants are open to citizens of all nations to carry on research in any part of the world. They do not, however, place a figure on the amount of money that has been distributed in that way.

I should like to mention some of the other countries that operate sweepstakes. I wrote to most of the embassies here in Ottawa representing countries operating sweepstakes and I received many very courteous replies. I am certainly indebted to many of the ambassadors and their staffs who went to a great deal of trouble in providing me with information in this regard.

I hold in my hand information on the Spanish state lottery which was founded on September 30, 1763, and has been operating ever since. I am not going into the details of how it works but I wish to give some of the percentages to indicate how the money taken in has been distributed. These are the results for 1958. Total prizes paid out amounted to 69 per cent of sales; gross profit, 31 per cent; agency commission, 2.46 per cent; net profit, 28.5 per cent.

I should now like to give some information on some of the other South American countries. I took this information from the annals of the American academy of political and social sciences, volume 269, 1950:

Bolivia—the state lottery is considered to be a source of official revenue by regulation May 13, 1930. All forms of public gambling were prohibited.

Brazil—lottery as a source of revenue is regulated by the federal law of February 10, 1944 and clandestine lotteries are severely punished. Any public gambling, even at summer resorts, is prohibited.

Argentina—the lottery law in Argentina dates from 1895.

Sweepstakes

Chile—the law of August 30, 1890 holds only authorized lotteries to be legal. All other forms are under the penalties of the penal code.

Uruguay—lottery is under official control in Uruguay and is considered a source of revenue.

The conclusions in this article contained in the annals of the American academy of political and social sciences are as follows:

Only a state lottery may be considered an acceptable minor form of gambling but this again depends upon prevailing cultural patterns. General public opinion in Latin America does not consider such a state lottery as gambling.

I have been given figures on the Turkish national lottery. Unfortunately I have not had the opportunity to change them into percentages; therefore I will give the figures for the Turkish lottery for one year, and indicate how the money is brought in and distributed in the lottery. The distribution was as follows: The total revenue was 63,931,435 Turkish liras. The prizes paid out amounted to 32,417,795; commission given to sales agents amounted to 3,310,372; general expenses, 900,572. The net profit was 27,302,695. This will indicate quite clearly, Mr. Speaker, that the administrative expenses are comparatively low for the operation of sweepstakes.

The following information I have taken from the official year book of New South Wales, 1957:

State lotteries

State lotteries are conducted in New South Wales in terms of the state lotteries act, 1930. The act is administered by a director, and the lotteries are conducted on the cash-prize system.

The article goes on to indicate how the prizes are distributed and it appears to be operating quite satisfactorily.

My next information is from the year book of the commonwealth of Australia, 1958. It mentions the New South Wales state lotteries and indicates that the net proceeds of the lottery are paid to the consolidated revenue fund from which grants are made to hospitals. The Tattersalls lotteries in Tasmania have been going on for some time, and there again the money is paid into the hospitals and charities fund and the mental hospitals funds in such proportions as the treasurer determines from time to time.

In Queensland, the golden casket art union commenced in 1916 with the specific object of augmenting the funds of the Queensland war council. Since 1920 the net profits have been paid to the department of health and home affairs for the maintenance of hospitals, motherhood and child welfare trust funds, and so on.

In western Australia, lotteries are conducted by the lotteries commission under the lotteries control act of 1932. Profits are paid by the commission to hospitals and other charities.

[Mr. Browne (Vancouver-Kingsway).]

Here again I might give the house some percentages so that an indication may be had of how effective and efficient lotteries in general are. These figures are for the golden casket art union of Queensland. I shall give just the figures for the year 1956-57. Amount of prize money paid out was 63.82 per cent; administration costs, 6.71 per cent; state stamp duty, 5 per cent; department of health and home affairs, 24.47 per cent. There again, Mr. Speaker, is a clear indication that the administration expense is not high in regard to the amount of money taken in.

I should now like to deal with the letter that I have received from the Mexican embassy indicating the value that sweepstakes have had in that country. It reads:

The national lottery for public welfare, of Mexico, is a federal government agency under the general authority of the department of health and public welfare.

Farther down it goes on to say:

The net proceedings are turned over to the department of health and public welfare for the construction and maintenance of hospitals, orphanages, clinics, etc.

The national lottery has been in existence for 90 years, and has performed a most meritorious work with complete public support.

I should now like to refer to an article which appeared in the *Financial Post* of October 10, 1959 entitled:

They Pay for Culture

By Robson Black

Hon. President, Canadian-Scandinavian foundation

Sweden finances most of her culture by a chain of public lotteries. This may be "gambling" but in no sense does the system employ professional gamblers. Indeed, few countries in the world suppress with such a zeal all commercial games of chance, barbotte dens, cardsharps and roulette wheels.

Lotteries, however, are legal fund-raisers, all of them tightly supervised by government accountants.

The embassy of the Republic of China has given me the following breakdown of the distribution of their lotteries: 10 per cent to dealers as commission; 40 per cent as premium; 40 per cent as profit; 10 per cent for tax and administrative expenses.

I could go on, Mr. Speaker, and give the details of a good many sweepstakes and lotteries operated throughout the world, but I think I have given sufficient indication to support the view that not only the vast majority of Canadians are in favour of a national hospital sweepstake but no harm is seen throughout the world in the operation of a government-operated sweepstake.

It was rather interesting to note in the Ottawa *Citizen* of January 16, 1959 that this matter came before the board of the United church. I found it somewhat amusing. This statement is contained in the middle of the

article. I do not want to delay the passage of this bill and therefore I will not read the whole article. It reads in part:

> Rev. J. H. Slade of Port Elgin, 22 miles west of Owen Sound, said service club-sponsored bingo and crown and anchor games were supported by some members of his church's session.
>
> "What can I do?" he asked.
>
> "I tried to say 'You'll go to the devil,' but they say they're having a good time."
>
> Dr. Mutchmor advised him to seek action by the local United church conferences.

Finally, I say it is quite clear that there is a substantial amount of money going out of Canada. As has been mentioned, it is hard to get a proper estimate, but in the annals of the American academy of political and social sciences a couple of years ago—I do not have the exact reference here—it was estimated at that time that between $100 million and $200 million was going out of Canada each year to buy foreign sweepstake tickets. I firmly believe that we cannot stop the people of Canada from buying sweepstake tickets if they want to buy them. They have indicated quite clearly that they do want to buy them and it is the responsiblity of this parliament, if the democratic process is to operate properly, to carry out the wishes of the people of this country and institute at once a national hospital sweepstakes.

(Translation):

Mr. J. P. Deschatelets (Maisonneuve-Rosemont): Mr. Speaker, a rumour is alleged to have been broadcast this afternoon that a mysterious ailment affected the Conservative members and prevented them from thinking and speaking.

We are happy to note that their ailment is now partly over and that they have at least regained the use of their speech.

My hon. friend from Vancouver-Kingsway (Mr. Browne) introduced a bill on sweepstakes and kept the floor for 35 minutes.

As far as I am concerned, I see no difficulty about the principle involved. I shall be brief and resume my seat in a moment.

However, to gain time and allow all parties to voice their views, so we can have a vote, I thought that I should say a few words about the stand our C.C.F. friends take on such a measure.

That will probably prevent one of those hon. members from taking part in the discussion, and so we will be able to vote immediately.

I have here a ticket bearing number 45863, under the name of—

(Text):

> Drawing September 4, 1961 at annual labour day dance at Riverside pavilion.
>
> 1st prize—A crisp new $1,000 bill.
>
> 2nd prize—Acrisp new $500 bill.

The number of the ticket is 45386. Now that our C.C.F. friends are in favour of the principle of lotteries and drawings, I think we have nothing else to do but to call a vote.

Mr. Erhart Regier (Burnaby-Coquitlam): Mr. Speaker, I can assure the house that I will not be very much longer than the hon. member who has just resumed his seat. I am very happy that occasionally we have private members' hours and I emphasize the word "private" because in this hour we do not necessarily speak on behalf of our party. Irrespective of the opinions expressed by the hon. member for Maisonneuve-Rosemont (Mr. Deschatelets), may I say I have never noticed any political party in Canada taking an official position with respect to this problem. They are all willing to cater to all interests in Canada in order to get votes.

I welcome this hour in which we are really able to speak on the basis of our own personal convictions. In my opinion, and I am now speaking only on behalf of myself as a member of the house, I believe that this campaign is part of an over-all long range campaign under which the people of Canada are offered something for nothing. They are being led to believe that some national benefit might accrue out of this business of gambling.

I know that the aim and intentions of the hon. member for Vancouver-Kingsway (Mr. Browne) who introduced the bill are perfectly honourable. As he said, he has introduced the bill in order to make it easier to raise money on behalf of Canadian hospitals. However, it is my conviction that this is part of an over-all campaign that has been going on for many years in Canada in an effort to persuade the people of Canada that they can really get something for nothing.

The hon. member complains about the vast amounts of money that are going out of Canada by reason of Canadians subscribing to hospital sweepstakes and other gambling schemes outside of our country. If this is a fact, and I believe the hon. member has some justification for making this claim, it is a reflection on our own society and also on our law enforcement agencies. In that regard I have particular reference to the Post Office Department. However, despite all the campaigns by most of the newspapers in our country—

Mr. Brunsden: On a point of order, Mr. Speaker, the hon. member has made a reflection against the Post Office Department. I think he should explain what he means.

Mr. Regier: I believe you would not recognize that as a point of order, Mr. Speaker. As a member of the house, I believe I have the right to say what I like about the Post

Office Department. As long as I do not reflect on the hon. member's intentions, I believe I am within my rights.

As I indicated before, I am perfectly prepared to assume that the hon. member has introduced this bill in all honesty and with all good intentions, but I should like to ask this question. If we are unable to control the gambling instincts of the people of Canada now, how in the world does he expect the law to exercise any control over them if the law itself contains the basic principle involved here? Despite all the statistics he has presented, I would be prepared to predict that the racketeers who now operate illegally in this field would be many times multiplied if we opened the door to such operations.

On another occasion I expressed my opposition to any extension of the gambling that exists in connection with horse racing. These proposed hospital sweepstakes are linked with horse racing and there are a great many reasons why I am opposed to the extension of the incidence of gambling attached to horse racing. If we accept the bill now before the house it is my view that we would be enhancing the sport of horse racing, if you wish to call it a sport, although personally I have often referred to it as a racket. This bill is a very important one and it concerns our basic principles. If the Canadian people are not accepting the concepts expressed in legislation enacted in the past, maybe we legislators have been too eager for votes and have not met our responsibilities on the public platform.

I know the hon. member for Vancouver-Kingsway (Mr. Browne) will get a lot more votes because of what he has said than I can ever hope to get in my riding as a result of what I have now said. However, I should like to appeal to the members of this house to recognize their responsibility as leaders in our nation. They ought not to be mere politicians who are merely looking for votes.

(Translation):

Mr. L. J. Pigeon (Joliette-L'Assomption-Montcalm): Mr. Speaker, having had the honour of introducing a bill based on a rather similar principle, I am pleased to say to the house that I fully support the bill put forward by the hon. member for Vancouver-Kingsway (Mr. Browne).

Everyone knows that *La Presse* took a poll on this subject and that the great majority of people in the province of Quebec favour such an amendment to the Criminal Code. This also applies to labour unions, including the syndicats catholiques et nationaux de Joliette which are in favour of a federal lottery.

[Mr. Regier.]

Use could be made of the experience of other countries in the preparation of this legislation. I sincerely hope that the bill of the hon. member will pass, and I would even suggest a first prize: Mr. Coyne. Then we would see if he is really popular, but I am afraid the first sweepstake would be a fiasco if we offered Mr. Coyne as a prize.

In principle, I therefore fully support the hon. member for Vancouver-Kingsway and I commend him for his courage in introducing such a bill.

(Text):

Mr. Harold E. Winch (Vancouver East): I was afraid, for a while, the sponsor of the bill was going to talk out his own bill. I have no intention whatever of talking out the bill. However, I want it to be very clear that I am speaking personally and not on behalf of the C.C.F. or New party. I support the bill now before the house.

I believe I am the only member in the house at present, perhaps with one exception, who was a member of the joint committee of the Senate and House of Commons on capital punishment and lotteries. This committee conducted hearings for three years. I well remember the representations made before that committee and I know the final decision of the committee was in opposition to lotteries. I do not agree with that decision. I cannot agree, either, with my seatmate, the hon. member for Burnaby-Coquitlam (Mr. Regier). I just cannot believe he is so naive as is indicated in the way he spoke.

Let us look at the matter intelligently and from a psychological point of view. The majority of the people of Canada, whether it is right or wrong, moral or immoral, legal or illegal, are imbued with a sense of gambling. You are not going to change that by passing a law. This has been proven time after time in Canada. As a matter of fact, sir, I still remember that the people from whom we got the opposition were the top brass of certain organizations, and some of their own people ran some of the biggest gambling establishments in Canada. I say this because gambling is not limited to horse racing. Raffles are a form of gambling. I challenge, yes even my seatmate, to show me a political organization, fraternal organization or religious organization that does not conduct raffles. Raffles, as I said, are a form of gambling. I challenge anyone to show me a religious or fraternal organization that does not run a bingo. As a matter of fact, the biggest bingo operation in Canada—we had proof of it in our committee—was run in Ontario and Quebec by fraternal and religious organizations.

Raffles, bingo, horse racing, sweepstakes are all forms of gambling. There is a certain

instinct for this in our people, and I am afraid we are not going to be able to control it by passing a law. Whether we like it or not, millions upon millions of dollars are going out of Canada to the Irish sweepstakes, the United Kingdom football pools, the Australian sweepstakes and the Mexican sweepstakes. My hon. friend now mentions the Kentucky derby. You may control many things by law, but I am afraid you are not going to remove the inherent idea people have that they may get something, not for nothing, but for the purchase of a raffle ticket, a sweepstake ticket, a pool ticket or something else.

If we are going to be completely honest, surely we must ask: why not have some of this money stay in Canada to be used for social purposes in this country? I say, therefore, that in principle, because I think I know people and I think I have the evidence, I am in support of this bill and I believe it should be adopted.

Mr. Georges Valade (St. Mary): I just want to take a few minutes of the time left to give my opinion of this bill. I was amazed to hear the initial spokesman of the C.C.F. party say that horse racing was a racket. I wish he would communicate this amazing thought to Her Majesty the Queen who has her own horses, I believe, running in the English derby upon which lotteries are conducted. With respect to the remarks of the second speaker from the C.C.F. party, I say I do not believe we should call lotteries a form of gambling. From my point of view a lottery for a charitable purpose is not a form of gambling, but is an incentive or stimulus to the people to give some of their money for charitable and social purposes.

I favour the principle of this bill, Mr. Speaker, because I believe the people in this country want it. This has been proven, not this year, but in 1951 when the Conservative party held a convention in Ottawa. I had the honour to introduce a resolution at that convention in the name of the young Conservative association, and this resolution received a majority of votes. I recall that the Ottawa newspapers made a great deal of this resolution and this indication that the people of this country wanted lotteries. Personally, I would prefer a small change in the approach of this bill. I should like to see this bill consider the question of section 92 of the British North America Act which reserves health questions, hospital administration and management, to the provinces.

Of course, it is not my wish to discuss this matter at too great length. Like most of the people of this country, I should be happy to see a bill of this sort passed. Even though I should not like the amendment proposed by this bill, I would support any bill that would attract the attention of the people of this country to the need for the people to spend their money not on foreign lotteries but on Canadian lotteries and Canadian welfare.

Mr. E. W. Brunsden (Medicine Hat): Mr. Speaker, it is almost mandatory that a member who seconds a bill should speak to that bill.

There are in this country certain spiritual values, and I can quite understand those who, from the ecclesiastical viewpoint, will oppose this bill.

There are certain things about this bill that I do not like. I am not a gambler, but I buy sweepstake tickets. My money goes to Ireland. With respect to this question, as my hon. friend on my right has so well and eloquently said, I believe we must be realistic. Canadians have a tendency toward gambling. I am not too greatly impressed with the advocacy of hospital aid. I do not think that is the prime purpose. Certainly the Irish hospitals should be very well equipped.

I think the fundamental principle of the sweepstake is the opportunity that the person has to make a personal gain. I do not believe that in this house or anywhere else we can reform human nature.

Since we are exporting this large amount of money to foreign countries—to Ireland, Mexico and Australia—I think we should take a new look at our own position. I think we should become reconciled to the fact that our Canadian people wish to move in this direction and should legalize their position. As the seconder of this bill, may I say this, and the mover of it and I have talked about it a great deal. While there are some disquieting aspects with respect to the situation surrounding it, I believe the bill should be supported, that we should keep our money at home, and if there is any benefit for any institution such as a hospital or a children's educational institution, it should be applied here and not elsewhere.

Mr. Thomas M. Bell (Saint John-Albert): Mr. Speaker, I am loathe to dampen the ardour of some of the hon. members who have spoken in favour of this bill, but there are some matters that I think should be pointed out. During the discussion of the bill that was introduced by the hon. member for Joliette-L'Assomption-Montcalm I remember that there was a great deal of enthusiasm at that time for those who wanted to speak for or against that bill. Whether or not it means that more have been won over to the cause, I do not know, but there evidently is in favour of this bill a preponderance which was not evident with regard to the other one.

Sweepstakes

I think it should be pointed out that the issue in this case, in my humble opinion, is not so much whether an individual is in favour of gambling or of lotteries but rather whether the state should become involved in such activities. I have before me the report of the royal commission that sat in the British house on this matter and I think that they dealt—

Mr. Winch: You will find the reference under the recommendations section. If the hon. member looks in the recommendations section he will find it there.

Mr. Bell (Saint John-Albert): I have it. It is page 120 of the royal commission on betting, lotteries and gaming, 1949-1951, in the British parliament. They dealt at length with this question I am now trying to explore, namely the involvement of the state in gambling. The first point that comes to mind is that they go to great lengths to point out that the revenue which might be obtained from such a national lottery is usually greatly exaggerated by the supporters of such a proposal. They examined in detail the Irish sweep, as they called it, and they admitted that nearly two thirds of the revenue may come from the United Kingdom in this regard but they simply mentioned, proving their point, that the net revenue from such a nationally approved lottery is greatly exaggerated. The conclusion to which they come, as found at page 120, is as follows:

392. Our conclusion is, therefore, that there is no important advantage to be gained by the establishment of a national lottery and that there is no reason, in this particular case, to depart from the general principle that it is undesirable for the state to make itself responsible for the provision of gambling facilities.

Some hon. Members: Question.

An hon. Member: Six o'clock.

Mr. Bell (Saint John-Albert): I should like to move the adjournment of the debate.

Mr. Speaker: The hon. member moves the adjournment of the debate.

Some hon. Members: Question.

An hon. Member: Six o'clock.

Mr. Bell (Saint-John-Albert): I note that it is six o'clock, Mr. Speaker.

Mr. Speaker: In the vein of the debate, may I say that it was a photo finish.

Mr. Bell (Saint John-Albert): Do I understand, Mr. Speaker, you do not agree that it is six o'clock?

Mr. Speaker: I see that it is six o'clock.

BUSINESS OF THE HOUSE

Mr. Chevrier: May I ask the house leader what business we shall be taking tomorrow and what the business will be for as much of next week as the house leader can announce.

Mr. Churchill: Tomorrow we shall take the estimates of the Department of National Health and Welfare followed by the estimates of the Department of National Revenue. The forecast for Monday and Tuesday, subject to change if circumstances so require, will be as follows. On Monday the first item will be an act respecting the Bank of Canada, followed by the resolution in the name of the Minister of Transport dealing with the Pine Point railway. The third item would be the resolution in the name of the Minister of Finance dealing with the Industrial Development Bank Act. On Tuesday I expect that we shall resume the budget debate.

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

ANSWERS TO QUESTIONS

The following answers, deposited with the Clerk of the house, are printed in the official report of debates pursuant to standing order 39:

FEDERAL, PROVINCIAL AND MUNICIPAL DEBTS AND INTEREST RATES

Question No. 256—**Mr. Regier:**

1. What was the estimated interest rate on the indebtedness of the (a) federal government and (b) the provincial governments for the fiscal year 1959-60?
2. What was the estimated total gross debt of the municipalities of Canada as of the latest date of record?
3. What was the estimated average interest rate of such municipal debt for each of the years 1945, 1956, and 1960?
4. What was the estimated indebtedness of (a) institutions of Canada, (b) corporations of Canada, (c) individuals; and what was the estimated average interest rate of each of the aforementioned categories of indebtedness for each of the years 1945, 1956, and 1960?

Answer by: **Hon. Donald M. Fleming (Minister of Finance):**

1. (a) 3.98 per cent,[1] (b) 3.87 per cent.[2]

2. $3,940 million as at fiscal year ends nearest December 31, 1958.[3]

3. Information not available.

4. (a) Information not available.

(b) Taxation year [4]—1945, $5,580 million; 1956, $23,594 million; 1960, not available.

Information on average interest rates not available.

(c) Information not available.

[1] Average interest rate on total unmatured debt. Source: Public accounts of Canada.

[2] Average interest rate on bonded debt. Source: D.B.S. "Financial Statistics of Provincial Governments".

[3] Source: D.B.S. "A Consolidation of Public Finance Statistics".

[4] Gross liabilities of fully tabulated companies. Source: Department of National Revenue, taxation statistics 1947 and 1958.

FEDERAL ASSISTANCE, MUNICIPAL SEWERS AND DISPOSAL PLANTS

Question No. 259—**Mr. Regier:**

Relative to the plans announced some months ago by the government of assistance to municipalities for the building of sewers and sewage disposal plants, how many and which municipalities have of the latest date of record been able to qualify for federal assistance, and what is the amount of assistance approved in each case?

Answer by: **Hon. D. J. Walker (Minister of Public Works):**

As of June 19, 1961, governor in council approval has been given for loans under part VIB of the National Housing Act to 45 municipalities as follows:

Municipalities	Estimated amount
Alberton, P.E.I.	$ 21,800
Belleville, Ont.	1,515,300
Berwick, N.S.	52,706
Blaine Lake, Sask	15,733
*Bowmanville, Ont	308,933
Bracebridge, Ont.	43,162
Bradford, Ont.	95,013
Carrot River, Sask.	28,225
Chilliwack City and Chilliwack Township, B.C. jointly	78,246
Courtenay, B.C.	177,576
Dawson Creek, B.C.	80,000
Dinsmore, Sask.	15,045
Dundas, Ont.	248,000
Fort William, Ont.	884,000
Fort Coulonge, Que.	49,050
Gibbons, Alta	4,250
Gretna, Man.	33,310
Kamloops, B.C.	224,200
Kenaston, Sask	9,183
Langenburg, Sask	29,200
La Scie, Nfld.	80,000
Lucky Lake, Sask	9,333
Medicine Hat, Alta.	222,000
Melfort, Sask	47,000
Mitchell, Ont.	92,500
Morden, Man.	38,520
Neelon-Garson Township, Ont.	201,467
Nelson, B.C.	95,400
*Ottawa, Ont.	10,189,990
Port Colborne, Ont.	38,667
Portage la Prairie, Man.	107,074
Peterborough, Ont.	593,000
Red Deer, Alta.	446,667
Saanich (District) B.C.	382,533
Sarnia, Ont.	94,300
Saskatoon, Sask.	280,000
Shelburne, Ont.	46,680
Stephenville Crossing, Nfld.	36,275
Sudbury, Ont.	1,109,000
*Toronto (Metro) Ont.	1,975,600
Tugaske, Sask.	17,333
*Greater Vancouver Sewerage and Drainage District, B.C.	8,221,799
Whitewood, Sask	20,933
Willow Bunch, Sask	19,333
Total	$28,278,336

*The municipalities of Bowmanville, Ottawa and metropolitan Toronto in Ontario and the greater Vancouver sewerage and drainage district in British Columbia have had more than one loan approved.

Questions

FEDERAL GRANTS IN LIEU OF TAX, HALIFAX

Question No. 262—**Mr. Morris:**

1. Does the federal government pay grants to the city of Halifax in lieu of taxation on federal government properties?

2. If so, does the grant formula use the rate of tax which would be applicable to federal property if that property were taxable? If so, in what year was this formula first applied, and what formula was used previously?

3. What was the total grant paid by the federal government to the city of Halifax in lieu of taxation on federal government properties in (a) 1956 (b) 1957 (c) 1958 (d) 1959 (e) 1960?

4. What was the total accepted value of federal property on which the 1960 grant to the city of Halifax was based, what portion was subject to the residential tax rate applied by the city of Halifax to taxpayers, and what portion was subject to the commercial tax rate applied by the city of Halifax to taxpayers?

Answer by: **Hon. Donald M. Fleming (Minister of Finance):**

1. Yes.

2. Yes. This formula was first applied with respect to the taxation year 1957.

For the taxation years 1955 and 1956 the grant was paid only in respect of that part of the value of federal property in excess of 2 per cent of the combined value of taxable and federal property in the municipality. The grant was determined by multiplying the value of federal property in excess of 2 per cent of the combined value of taxable and federal property in the municipality by a fraction in which the numerator was the total amount of the real estate tax levied in the appropriate tax year and the denominator was the assessed value of all taxable property in the municipality.

For the taxation years 1950 to 1954 inclusive, the formula for grant was similar to the formula for 1955 and 1956 except that only the excess of federal property over 4 per cent (in place of 2 per cent) of combined taxable and federal property was eligible for grant; also an additional factor which was applied reduced the resulting grant by 25 per cent.

3. Grants to the city of Halifax: (a) 1956, $806,187; (b) 1957, $1,408,422; (c) 1958, $1,462,103; (d) 1959, $1,492,875; (e) 1960, $1,530,637.

4. Accepted values of federal property for 1960 grant:

Subject to residential tax rate, $13,788,250; subject to commercial tax rate, $27,718,450; total $41,506,700.

NATIONAL HARBOURS BOARD GRANTS IN LIEU OF TAX, HALIFAX

Question No. 264—**Mr. Morris:**

1. Does the national harbours board pay grants to the city of Halifax in lieu of taxation of national harbours board property?

2. If so, what is the formula used in the payment of such grants, and is the formula related to the so-called commercial tax rate or to the residential tax rate applied by the city of Halifax to taxpayers?

3. What was the total grant paid by the national harbours board to the city of Halifax in lieu of taxation on national harbours board properties in (a) 1956 (b) 1957 (c) 1958 (d) 1959 (e) 1960?

4. What was the total accepted value of national harbours board properties on which the 1960 grant to the city of Halifax was based?

Answer by: **Hon. Leon Balcer (Minister of Transport):**

1. The national harbours board makes a grant in lieu of taxes for municipal services such as fire and police, which might be required by the national harbours board in its administration of harbour properties.

2. Basic formula:

$$\text{Grant} = \frac{a}{b} \times c$$

Where:

a=the accepted value of national harbours board property (August 1, 1959): (i) buildings, (ii) land above original high water mark occupied by buildings.

b=total city assessment (1959) of taxable real estate plus (a)

c=city expenditure on fire and police services (estimates for 1959).

The grant calculated by means of this formula was rounded upwards to provide for other miscellaneous services apart from fire protection and police.

On the basis of experience at all national harbours board harbours over the preceding ten years this basic grant was further increased by just under 23 per cent to make provision for possible cost increases and harbour developments in the period 1960-1964.

The formula is not related to either the commercial tax rate (business tax) or the residential tax rate (household tax).

3. Grants paid: 1956, $75,000; 1957, $75,000; 1958, $75,000; 1959, $75,000; 1960, $129,000.

4. Accepted value of N.H.B. property on which 1960 grant based—$14,207,920.

FEDERAL GRANTS IN LIEU OF TAX, DARTMOUTH, N.S.

Question No. 266—**Mr. Morris:**

1. Does the federal government pay grants to the city of Dartmouth in lieu of taxation on federal government properties?

2. If so, does the grant formula use the rate of tax which would be applicable to federal property if that property were taxable? If so, in what year was this formula first applied, and what formula was used previously?

3. What was the total grant paid by the federal government to the city (then town) of Dartmouth in lieu of taxation on federal government properties in (a) 1956, (b) 1957, (c) 1958, (d) 1959, (e) 1960?

4. What was the total accepted value of federal property on which the 1960 grant to the city (then town) of Dartmouth was based?

Answer by: **Hon. Donald M. Fleming (Minister of Finance):**

1. Yes.

2. Yes. This formula was first applied with respect to the taxation year 1957.

For the taxation years 1955 and 1956 the grant was paid only in respect of that part of the value of federal property in excess of 2 per cent of the combined value of taxable and federal property in the municipality. The grant was determined by multiplying the value of federal property in excess of 2 per cent of the combined value of taxable and federal property in the municipality by a fraction in which the numerator was the total amount of the real estate tax levied in the appropriate tax year and the denominator was the assessed value of all taxable property in the municipality.

For the taxation years 1950 to 1954 inclusive, the formula for grant was similar to the formula for 1955 and 1956 except that only the excess of federal property over 4 per cent (in place of 2 per cent) of combined taxable and federal property was eligible for grant; also an additional factor was applied which reduced the resulting grant by 25 per cent.

3. Grants to the town of Dartmouth: (a) 1956, $92,638; (b) 1957, $106,997; (c) 1958, $105,744; (d) 1959, $96,163; (e) 1960, $118,622.

4. Accepted value of federal property for 1960 grant: $5,345,350.

Questions

FEDERAL GRANTS IN LIEU OF TAX, COUNTY OF HALIFAX

Question No. 267—**Mr. Morris:**

1. Does the federal government pay grants to the municipality of the county of Halifax in lieu of taxation on federal government properties?

2. If so, does the grant formula use the rate of tax which would be applicable to federal property if that property were taxable? If so, in what year was this formula first applied, and what formula was used previously?

3. What was the total grant paid by the federal government to the municipality of the county of Halifax in lieu of taxation on federal government properties in (a) 1956, (b) 1957, (c) 1958, (d) 1959, (e) 1960?

4. What was the total accepted value of federal property on which the 1960 grant to the municipality of the county of Halifax was based?

Answer by: **Hon. Donald M. Fleming (Minister of Finance):**

1. Yes.

2. Yes. This formula was first applied with respect to the taxation year 1957.

For the taxation years 1952 to 1956 inclusive the grant formula used the current tax rate but the grant was calculated by applying that rate to the assessment of federal land excluding buildings.

3. Grants to the county of Halifax: (a) 1956, $45,840; (b) 1957, $76,964; (c) 1958, $83,278; (d) 1959, $94,927; (e) 1960, not yet settled.

4. The 1960 grant to the county of Halifax is not yet settled and the accepted value on which it will be based is not yet determined.

APPENDIX

STATEMENT BY THE SECRETARY OF STATE FOR EXTERNAL AFFAIRS AT GENEVA CONFERENCE ON LAOS, JUNE 15, 1961

Mr. Chairman and distinguished delegates:

This afternoon I should like to make a very brief speech concerning the effectiveness of the international commission for supervision and control.

As you are all aware, Canada's main interest in this whole Laos question arises through the fact that we were named as a member of this commission.

When I spoke here four weeks ago on May 18, I emphasized the vital importance of providing the commission with the essential technical means to supervise the cease fire and to report on the effectiveness of that cease fire. There was general agreement with these views and the co-chairmen sent a message, on May 19, asking the commission to inform them of requirements for the exercise of its functions in relation to the cease fire. I should have expected that by now, some four weeks later, the necessary equipment would have been provided.

The commission has submitted six reports from which it is evident that, while there has been no general renewal of hostilities, there have been a number of infractions of the cease fire, the most serious of which was the recent outbreak of hostilities at Ban Padong.

So far the commission has been unable to report on these violations from first hand observation. In their message to the commission on June 12, the co-chairmen referred to the commission's intention to discuss with the parties in Laos—now I am quoting from the message of the co-chairmen—"proposals for making the cease fire more effective" and the co-chairmen called on those parties in Laos, the three parties in Laos to co-operate with the commission in its task of supervising and controlling a cease fire.

But I must draw attention to the fact that even if that co-operation is forthcoming in Laos, as I hope it will be, the commission lacks its own means to move to areas of reported conflict and to inform the co-chairmen and the conference.

As the representative of France said on May 31—and I am quoting from that statement—"So far the commission which has its headquarters at Vientiane, has not been able to go anywhere else but Xieng Khouang, and to do that it had to borrow a French aircraft which happened to be there".

In other words, this commission is not being given a fair chance to do its job. And to do that, it had to borrow a French aircraft which happened to be there. Why should this commission have to go around borrowing a French aircraft, or other equipment, in order to do its work? I suggest that this is putting an imposible onus on the commission.

More than six weeks ago the commission, in a report to the co-chairmen dated May 1, stated—and I am quoting now from a report to the commission from the co-chairmen—"The commission should be able to set up an effective machinery provided"—provided—"that the co-chairmen were willing to supply the commission with an adequate number of airplanes and helicopters, together with facilities for their maintenance".

That was six weeks ago. Three weeks ago, on May 22, in reply to the inquiry from the co-chairmen dated May 19, the commission said that its minimum requirement of helicopters was six and of aircraft, six. I submit that it would be a reasonable step—and I know we all want to be reasonable—without waiting for further word from the commission, for this conference to make available immediately at least three light aircraft and three helicopters and the personnel for their operation and maintenance.

It is perfectly clear, Mr. Chairman, that, if it were the will of this conference to provide the technical resources the commission requires, these could be immediately obtained from a variety of sources. In other words, this is not a case where it is impossible to get equipment. The equipment can be obtained, if the will is there, and the responsibility, I suggest with all deference, is on the two co-chairmen.

I therefore ask that the co-chairmen arrange without further delay to make these and other essential requirements available.

In this way the conference can insure that the commission is properly equipped to perform its immediate tasks, and, in so doing, can facilitate the work of this conference on other issues. And I hope to offer comment on these issues early next week.

But surely it is a test of the willingness of this conference to get some results. A very

good test is whether or not this commission—which after all has to do the work out in Laos of supervising the cease fire—the test is whether this commission can be given the equipment to do that work, and given it right away, without any further delay. And I do suggest that action be taken in order to bring about this result.

Thank you very much, Mr. Chairman.

STATEMENT BY THE SECRETARY OF STATE FOR EXTERNAL AFFAIRS AT GENEVA CONFERENCE ON LAOS, JUNE 19, 1961

I listened with great interest to the statement by the distinguished representative of Burma and if I may be permitted to say so, I thought he made a very helpful contribution to the deliberations of this conference.

My own purpose today is to state Canadian views on the aims and principles of a settlement in Laos. But before discussing the details of such a settlement, I would remind the representatives here of the high expectations and hopes which the people of my country—indeed people everywhere—have of the conference. Today, of all the international conferences concerned with the peaceful settlement of important international disputes, this conference, by general consent, is the one that holds the greatest promise of constructive results. After all, we start with the advantage that all the parties to the conference are agreed on the main aim—a sovereign, independent and neutral Laos. This aim was explicitly endorsed by the President of the United States and the Premier of the Soviet union in Vienna. If we are to fail, the implications for peace would be far reaching. Therefore we here are concerned not only with Laos, but with the hopes of mankind for an orderly settlement of disputes and the future peace of the world.

We cannot, I suggest, disappoint world opinion. I suggest that the time has come for the conference to end general plenary discussions and begin consideration of the details of a settlement. Certain specific proposals have already been laid before the conference by the French and Soviet delegations. There are also the agreements on Laos of the Geneva conference of 1954, which are bound to be the foundation upon which any Laotian settlement now or in the future can be built.

As a first step I suggest that an article by article tabulation should be prepared of the French and Soviet proposals, setting comparable articles in parallel columns, alongside the relevant articles of the Geneva agreements of 1954, in order to focus the attention of the conference on specific topics and to serve as an initial basis of discussion. Such a tabulation could be prepared by the co-chairmen's staff or by some working group, but I think it is an essential first step in an orderly approach to our work.

The conference in restricted session, not plenary session but in restricted session where free discussion rather than set speeches would be the rule, should then take up article by article the various parts of a Laotian settlement on the basis of this comparative tabulation. This discussion would proceed in sequence from topic to topic in order to reach as much of a common view as possible.

For instance, if we start with the functions and terms of reference of the international commission, we shall have to deal at some stage or other with the subject of the commission investigations. For discussion of this subject we would probably have before us article 7 of the Soviet draft terms for the international commission for supervision and control, article 6 of the French draft protocol on control, and article 30 of the cease fire agreement of 1954. In each of these there is already a high proportion of common language, and the differences which exist might well be narrowed by discussion in restricted session. Other delegations could propose their own version for improving the text or reconciling divergent views.

Then at that stage a drafting group might meet to work out a single agreed text. By adopting a procedure along these lines the conference could hasten a settlement in Laos. And I have in mind that a similar procedure would be followed with each of the topics.

I now turn to an outline of Canadian views on what should be included in a settlement. There will, of course, be declarations on the neutrality of Laos to be made by the government of Laos and by other governments represented here and we appreciate that such declarations are of great importance.

Canadian views on what a Laotian settlement should contain are based on our service, over many years, on the international commissions in Laos, Cambodia and Vietnam. Therefore I confine my remarks today mainly to those parts of the settlement which especially concern the international commission. With this experience in mind, my delegation wants to see the terms of reference of the international commission so worded as to enable it to do a useful job.

I am convinced, that in framing terms of reference as part of the present settlement, we should take as our starting point the cease fire agreement of 1954 modifying it only as has proven necessary in the light of experience and of course taking account of changed conditions. The terms of reference are like a well thumbed book of rules which

have gained a certain authority and meaning by virtue of constant use. On the other hand, experience has shown that they were in some respects inadequate for the duties and responsibilities placed upon the commission in the past and they may not be wholly appropriate for the changed circumstances facing the commission in 1961. In the interests, however, of preserving those articles which have stood the test of time, I think it would be wise if the conference were to frame the relevant provisions of the new settlement as a protocol to the 1954 agreement on the cessation of hostilities in Laos.

Then a few words about relations with the government of Laos. We start, as I have already said, from a common position that the settlement should ensure a truly neutral, independent and sovereign Laos. Moreover, it is generally agreed that responsibility for the government of that country must rest with the Laotians themselves.

Let me make it perfectly clear that we have no desire to see the international commission interfere with the normal exercise of sovereignty by the government of Laos. Canada has no wish to see established in that country a commission which would have the slightest resemblance to what some have characterized as a super state. We look to a state of mutual confidence and co-operation between the commission and the government of Laos. We think this is vital and we are in full sympathy with the natural desire of the Laotian leaders to run their own affairs. Indeed, it is precisely to protect Laotian sovereignty that the commission is undertaking its duties of supervising a settlement in Laos.

However, if the international commission is to be an effective instrument of this conference in carrying out the terms of settlement, the responsibilities of the commission must be so defined as to enable it to perform its tasks. In this connection it must be recognized that the commission cannot function if it is made answerable at almost every step to some other authority and can act only at the request or with the agreement of such authority, for example the co-chairmen. Perhaps they could bear that in mind.

To avoid unnecessary friction and misunderstanding between the Laotian government and the commission, it is also important that the terms of reference should spell out with some precision the rights of the commission to obtain necessary information, both documentary and on the ground. To give an example, experience on international commissions suggest that it would be essential for the commission to be able to inspect aircraft and to have access to manifests, in order to control the importation of war material.

Then a few words about the initial responsibilities of the international commission. While fully recognizing and welcoming the responsibility which the government of Laos will assume for its own affairs, the conference will obviously have to include in the settlement, provisions covering the steps to be taken in the military field in the early stages on such questions as the identification and withdrawal of foreign military personnel. Due account also will have to be taken of any formal cease fire agreement which is worked out in Laos. Arms which may have been brought in from outside will have to be collected and disposed of in some suitable way. The forces now opposing each other in Laos will have to be sorted out as a preliminary to the formation of Laotian security forces. All these matters, particularly the formation of Laotian forces will, of course, primarily be the responsibility of the government of Laos. The international commission, however, will have to accept some responsibilities, on behalf of this conference, for supervising these processes. This kind of activity by the commission will be essential for the establishment of a neutral and stable Laos.

Then there are the continuing responsibilities of the commission. The problems I have just been discussing are of a transitional nature. The main problems, however, with which the commission will be concerned will be of a more continuing nature. For example, it will have to assume responsibility in connection with preventing the re-entry of foreign military personnel; ensuring that armaments are not imported in excess of a level appropriate for the requirements of the reorganized Laotian security forces and taking other steps which may be necessary with respect to the security of the Laotian state.

I think we can assume that the commission will have some responsibility with respect to threats to the security of the Laotian state. Such threats obviously can originate either within or without the territory of Laos iself, or represent a combination of the two. In view of the general acceptance by all members of this conference that our primary concern is with the creation and maintenance of the conditions necessary for an independent and neutral Laos, and not with the internal affairs of Laos as such, the commission's responsibilities in this field will have to be very clearly defined.

And then freedom of movement. One of the facilities which the commission will certainly need if it is to assist the government

of Laos in ensuring that the provisions of the settlement are properly implemented is freedom of movement and freedom of access, where necessary to the effective discharge of its assigned tasks. And here I must register a complaint that just a few days ago the commission was refused by the Pathet Lao permission to visit Ban Padong which is the one place in Laos at the present time which in my opinion would justify a visit by the commission. But certainly within the last four or five or six days, the Pathet Lao has refused to allow the commission to go to Ban Padong. The commission will also need to have the co-operation of the Laotian authorities in providing protection for its personnel.

There can, I think, be no doubt that because the commission will have responsibility for safeguarding Laotian neutrality and independence through supervision of the entry of foreign military equipment and personnel, it must establish an adequate number of teams for this purpose. The number and location of commission teams should be sufficient to include all likely points of entry. If this conference should decide to make specific provision for the team structure, as was done in the 1954 agreement, it is important that provision be made at the same time for the commission to adjust this structure in the light of experience. Alternatively, the conference may wish to leave the question of number and location of teams for determination by the commission itself in consultation with the government of Laos.

Intimately related to the responsibilities mentioned above is co-operation by the government of Laos in furnishing periodic returns on the strength of the Laotian security forces. This is necessary to enable the commission to confirm that agreed force levels are not being exceeded and that military or paramilitary units are not being formed or maintained which might constitute a threat to the security of the Laotian state.

Then I come to the question of voting in the commission. Most countries represented here have expressed the view that the 1954 agreement should form the basis of a Laotian settlement. I have been very surprised to note, however, that some of the documents tabled contain provisions which depart radically in principle from those in the present agreement. The important question of voting in the commission is one outstanding example. Under the present agreement, decisions are taken by majority vote on all matters except three: first, violations or threats of violations which might lead to a resumption of hostilities; second, amendments to the agreement; and third, reduction of the activities of the commission. To suggest that all matters except purely procedural questions should now be decided unanimously is to depart completely from the Geneva agreement and would I submit make the commission utterly ineffective.

We who have served on the commission have had a good deal of experience with the voting procedure adopted in the present agreement, and I believe from what he has said in this conference that my Indian colleague, Mr. Menon, would support me when I say that this procedure has on the whole worked very well. It involves a striving for unanimous decisions whenever possible, but leaves the way open for majority action when this is necessary. I for my part, would resist any derogation from the existing provisions of the 1954 agreement in the direction of enforced unanimity.

Voting procedure in the commission is in many ways closely related to the manner in which investigations by the commission are handled in practice. And now I come to the question of investigations. I must confess that I am unable to see any justification for the double veto which has been suggested in one of the proposals before this conference. I am referring to the veto involved in the proposal for unanimity in the commission and the further veto contained in the proposal that investigations by the commission related to the introduction of foreign military personnel should be undertaken only on instructions from the two co-chairmen. I suggest that the two co-chairmen are getting a bit too high and mighty if they expect to have this power. This second restriction would deprive the commission of any initiative in its task of assisting the government of Laos to prevent the entry of foreign military personnel or to ensure the carrying out of the provisions of a settlement. We think that investigations should be undertaken by the commission either on its own initiative or at the request of the government of Laos.

It would seem highly desirable that the terms of reference should provide for regular reports at suitable intervals from the commission to the members of the conference. That, I am afraid, has not been the practice followed in the past with regard to these commissions and I presume Canada is as much to blame for that as any other country. Such reports would, of course, not in any way prejudice the obligation of the commission to keep the members of the conference informed of any serious situations which may arise, through the medium of special reports indicating whatever remedial measures might be considered appropriate. In addition, it is my view, that if the commission fails to reach

unanimity on a report, it should submit majority and minority reports and, when necessary—when no two members of the commission can agree—it should have the authority to submit separate reports.

I should also like here to mention a special aspect of the problem of guaranteeing that adequate and suitable equipment be made available to the commission to enable it to carry out its task. I am sure my views on this general subject are by now well known, but I emphasize again that the terms of reference should specify that all equipment which it may require will be placed at the disposal of the commission, and that such equipment will be fully under the commission's control. This is a subject on which we suggest that the two co-chairmen of this conference must take action. It has been dilly-dallying on it long enough and now when a proposal is put forward that the members of the commission should try to beg, borrow and steal equipment from the Laotians themselves in Laos, this I suggest is going to a ridiculous extreme and it puts the members of the commission in an impossible position. To this end, the conference will also have to make provision for the funds necessary for the commission's operations. At the present time, India has agreed to advance I think the sum of two hundred thousand dollars but so far as I know there has been no thought given in this conference whatever to the financing and India is just holding the bag and I do repeat that this question of financing is a vital one which has to be faced by every delegation attending this conference.

There is a final point which the conference will have to take into consideration. This is the eventual termination of the commission's activities. Whatever arrangements are agreed upon by this conference, it is, I think, important that the commission itself be given the discretion to recommend when it considers it is no longer required. In addition, of course, the commission should have the capacity to adjust the scale of its operations as circumstances warrant.

I conclude, Mr. Chairman, by stressing again the urgent need for this conference to organize itself in such a way as to make steady and orderly progress toward agreement on specific texts. The urgent need now is to create a momentum toward agreement. This conference has been sitting for nearly five weeks. While we were not sitting for the first three or four days—the distinguished delegates will remember we were all hanging around waiting to start—but we have actually been sitting five weeks tomorrow and there is not much to record in the way of results and as I said the conference has not even settled the simple matter of basic equipment for the commission, to which I shall have to refer again at another time.

Canada, as I have emphasized, approaches the problems of the conference from the point of view of trying to help a country to achieve neutrality, stability and genuine independence—to help an unfortunate country which has been torn by internal strife and subjected to external pressures. All that we ask of this conference is support for the commission in Laos and more rapid progress —much more rapid progress—towards an agreement which will put an end to the tragic situation in that unhappy country.

STATEMENT BY THE SECRETARY OF STATE FOR EXTERNAL AFFAIRS AT THE GENEVA CONFERENCE ON LAOS, JUNE 21, 1961

On June 15 I raised the matter of equipment for the international commission in Laos and proposed that three aircraft and three helicopters be made available immediately. The following day, on June 16, the co-chairmen received offers of equipment from the governments of France and United States. These offers were contained in letters to the co-chairmen from the two delegations which have now been circulated as conference documents. You will note that these offers include three helicopters for the use of the commission as well as light aircraft, and the French offer includes the personnel to operate this and other equipment.

On the same day the two co-chairmen, however, met and came up with the idea, if I may use a colloquialism, which was communicated to me, that each member nation of the commission should separately inquire of its commissioner in Laos, whether the equipment might be made available by the parties in Laos, in other words, by Laotians. At the time, I found this notion strange, to say the least, in the light of the two unanimous requests—I repeat, unanimous requests—for equipment that had already been made by the commission and of the offers that had been received. However, in the hope that it would hasten action by the co-chairmen, I agreed to send a message to the Canadian commissioner in Laos asking him whether adequate transport and other requirements could be provided by the Laotian parties. I have now received Mr. Mayrand's reply, Mr. Chairman, which is available for distribution if it is so desired.

Because of the situation in Laos, the commission has had to accept severe limitations in practice on its right and duty to carry out investigations of breaches of the cease fire. As you know, there has been a failure of the

parties to give their agreement to such investigations, particularly on the part of the Pathet Lao, despite messages from the co-chairmen urging the parties in Laos to co-operate; and despite also the unanimous decision, again by the three members of the commission that certain specified sensitive areas should be visited.

The results in Laos speak for themselves. In seven weeks of operation the commission has been unable to make a single on-site investigation of any alleged violation of the cease fire, even, as I stated on June 19, of the serious incident at Ban Padong.

Obviously, however, the co-operation of the parties is not the only condition which must be met to enable the commission to exercise full and effective control over the cease fire. The commission, in its report dated May 1, stated to the co-chairmen that it could set up effective machinery of supervision only if the co-chairmen were willing to supply adequate equipment including helicopters and light aircraft. On May 22 the commission provided the co-chairmen with a detailed list of technical requirements which again included an adequate number of helicopters and light aircraft. I remind the distinguished delegate from Poland that both these decisions were unanimous, and were concurred in by his commissioner in the field.

Now the Canadian commissioner in his reply to me sets out a list of the immediate requirements essential for the discharge of the commission, including three helicopters—later to be increased to six—and three light aircraft, together with the necessary maintenance and crews for both. In addition, he states a requirement of 20 jeeps and certain wireless sets.

His answer to the question of whether this kind of equipment can be obtained from the parties is that it would require double the amount of equipment and lead to endless difficulties in defining the territorial limits within which the aircraft and helicopters of each side could operate. This is a situation which would not end overnight even if there were a formal cease fire or political agreement reached among the various parties in Laos.

A further point raised by the Canadian commissioner in Laos is that reliance on Laotian parties for transport and other equipment would be wholly inconsistent with the commission's responsibility to this conference. The conference should deal promptly with this issue of whether the commission is to have the necessary equipment at its disposal and under its own independent control; and thereby free itself from the serious limitations of having to rely on others for its transportation needs.

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It must be clearly evident to all, Mr. Chairman, and really should not require a debate to establish that the ability of the commission to discharge its responsibilities in a fair and impartial manner cannot be made subject to the ability or willingness of one or other of the Laotian parties to provide transport and other necessary facilities. Just imagine the situation in which the commission would be placed if, before it could investigate any complaint against one of the parties, it not only would have to obtain the consent of that party to make the visit but also would have to rely on that party to furnish the transportation to the scene and then return the commissioners to the place from which they started. I find it very hard to believe it is the intention of the conference to reduce the commission which is its own agent to a position of impotence and indeed of exposure to ridicule.

This situation cannot and need not continue. Equipment in amounts adequate to the commission's immediate needs has been offered by the French and United States governments. All members have those offers in writing before them. The responsibility now lies fairly and squarely upon the two co-chairmen—the United Kingdom and the Soviet union—to see that this matter is settled. These offers cannot be ignored. The requirements of the commission cannot be ignored. They cannot be argued away. I suggest that without further ado the two co-chairmen should meet with representatives of the three members of the international commission to work out the practical details, consulting as necessary the governments that have made the offers of equipment and any other governments that might offer equipment. In this way, we can get the commission down to work on a practical basis, and we would go far to ensure the result and the success of this conference. I point out that the member nations of this conference cannot evade their responsibility to see that essential equipment is supplied to the commission.

OFFER OF EQUIPMENT BY GOVERNMENT OF UNITED STATES

Delegation of the United States of America

June 16, 1961

Dear Mr. Co-Chairman:

I recall that on May 22 the international commission for supervision and control in Laos forwarded a list of its materiel requirements. This list was in response to the request by the co-chairman that the I.C.C. furnish them with information concerning its equipment needs. I also note that the commission in its letter to the parties in Laos of June 8, has expressed

its intentions of visiting and making investigations at various points in Laos. Therefore, it would seem that the commission has immediate need for at least some of the equipment it has requested.

The Minister of External Affairs of Canada, Mr. Green, specifically referred to the need for helicopters among other items in his statement to the conference of June 15. It is with this need in mind that I have been authorized by my government to offer to the co-chairmen and the commission three helicopters (Model H 34) for use by the I.C.C. in Laos. These can be provided within a few days after the acceptance of this offer.

I understand that the government of France has also offered equipment and support, and I hope that other governments represented at this conference will be able to do likewise. The United States government does not preclude the possibility of supplying other equipment or support should it be requested to do so.

The United States government expects that it will receive credit for any equipment it provides under this offer against its share of costs under such arrangements for financial support of the international commission for supervision and control as may be decided upon by the conference.

Sincerely yours,

W. Averell Harriman
U.S. Deputy Representative

The Rt. Honourable M. J. Macdonald
Co-Chairman of the International Conference on the Settlement of the Laotian Question,
Villa "La Fenetre",
route de Pregny,
Geneva

OFFER OF EQUIPMENT BY GOVERNMENT OF FRANCE

Geneve, le 16 juin 1961

Monsieur le Président,

Vous avez bien voulu communiquer aux nations membres de la Conférence le message en date du 22 mai qui énumère les matériels et personnels techniques demandés par Monsieur SEN pour faciliter l'exercice des fonctions de la Commission Internationale de contrôle au Laos.

Je suis en mesure de vous soumettre, dès à présent, la liste des personnels et matériels que le Gouvernement français est susceptible de mettre à la disposition de la C.I.C., en soulignant que les délais de mise en place ne sont mentionnés qu'à titre indicatif, et pourraient subir certaines modifications.

Au cas où il serait fait appel au Gouvernement français pour la fourniture de tout ou partie de ces matériels et personnels techniques, je tiens à préciser que le financement total de l'opération, y compris les soldes et l'entretien, serait à la charge de la Commission Internationale de contrôle, dans le cadre des dispositions finales qui seront adoptées à cet effet par la conférence.

Je vous prie d'agréer, Monsieur le Président, l'assurance de ma très haute considération.

L'Ambassadeur de France
Chef de la Délégation Française:

S. E. Lord Home
Ministre des Affaires Étrangères de Grande-Bretagne
Co-Président de la Conférence de Genève.

Le 16 juin 1961

Liste des matériels et personnels techniques susceptibles d'être mis à la disposition de la Commission Internationale au Laos par le Gouvernement français.

I—Matériels

11—Matériel radio

—3 postes SCR 193

(Dont 1 sur place les deux autres pouvant rejoindre dans un délai de 1 mois.)

—6 postes ANGRC 9

(Mis en place en 1 mois.)

12—Matériel auto

—5 jeeps

—4 Dodge 4 × 4

(Les 5 jeeps et 1 Dodge 4 × 4 sont sur place. 3 des Dodge 4 × 4 venant de Métropole pourraient être mis en place dans un délai de 1 mois.)

13—Matériel aérien

—5 Max Holste
«Broussard»

Viendraient de Métropole *a*) soit par avion-cargo dans un délai de 10 à 15 jours (très onéreux), *b*) soit par bateau, dans un délai d'un mois au moins.)

—1 C. 47 (Dakota)

(Délai de mise en place, 3 semaines à 1 mois. Cet appareil pourrait être détaché pendant 6 mois.)

—Hélicoptères

(Pas d'appareils disponibles (mais possibilités d'achat direct dans le secteur civil).)

II—Personnels

21—Équipes radio

(Les personnels nécessaires aux postes 193 et ANGRC 9, venant de Métropole, peuvent être mis en place dans un délai approximatif de 50 jours.)

22—Conducteurs auto
(Sur place.)

23—Équipages d'avion
(Venant de Métropole pourraient être mis en place en même temps que les appareils (délais 1 mois environ).)

24—Équipages d'hélicoptères
(3 ou 4 équipages pourraient être mis en place dans un délai d'un mois environ.)

TELEGRAM DATED JUNE 19, 1961 RECEIVED BY CANADIAN DELEGATION IN GENEVA FROM CANADIAN COMMISSIONER TO THE I.C.S.C. IN LAOS

In its message of May 22, the I.C.S.C. in Laos expressed to the co-chairmen its unanimous recommendations as to the personnel and equipment which in its judgment would be required to carry out its functions. Since May 22 the Canadian delegation in Laos has not changed its views as to the requirements necessary for the proper functioning of the commission.

The Canadian delegation in Laos realizes, however, that it may take some time to engage the personnel and procure and dispatch the equipment which the commission has requested. In view of this fact it believes that it will be helpful to the co-chairmen to have an indication of the priorities which should be observed in fulfilling the commission's requirements so that what is immediately necessary may be dispatched without delay. The Canadian delegation in Laos therefore recommends most strongly that the following personnel and equipment be supplied to the commission at once as being essential for the discharge of its immediate responsibilities:

(a) Three helicopters required immediately, and to be increased to six as soon as possible to ensure that four are always operational.

(b) Three light aircraft with at least six-passenger capacity and capable of using short air strips and flying at ten thousand feet.

(c) Maintenance organization for the helicopters and light aircraft to be established in Laos.

(d) Pilots for the helicopters and light aircraft, preferably from India, Poland or Canada.

(e) Twenty jeeps.

(f) Wireless sets with two-hundred-mile range.

With the foregoing immediate needs in mind, the Canadian delegation in Laos has considered, in accordance with the co-chairmen's request, whether adequate transport and other requirements could be provided by the Laotian parties and has come to the following conclusions:

(a) The provision of helicopters by the Laotian parties is not practical because neither side will agree to permit aircraft piloted by the opposition party to overfly territory occupied or disputed by them nor will the parties admit into the area forward or a defended locality helicopters piloted by the other side. Provision of helicopters by the parties would also mean twice the number held in readiness for commission use, since all investigations and visits by that means would involve double movement or double teams approaching trouble spots first from one side and then the other, whereas neutral helicopters should be able to move from one side to the other without delay or difficulty. The confused situation on the ground often makes clear demarcation of areas under the control of either side virtually impossible and thus the selection of a helicopter from either side for transportation will meet with objection for the reasons already stated. Consequently the commission would be prevented from supervising the cease fire in those disputed areas where available evidence indicates that violations are occurring unless it is equipped with its own helicopters and pilots and the objections of the parties to its movement in such areas are thereby overcome.

(b) Provision of light aircraft by the parties is impracticable for reasons similar to those applying to helicopters.

(c) Provision of vehicles has already proved beyond the capabilities of the parties. The commission representatives of Xieng Khouang are at present provided by Xieng Khouang parties with a total of three jeeps which are in such bad mechanical condition that the commission is having to consider purchase of replacement vehicles. Further, the commission is already supplying, at the request of the Xieng Khouang parties, petrol oil and lubricants for the vehicles allotted for its use there. The Vientiane party is also experiencing difficulty in meeting the minimum needs of the commission for transport in the Vientiane area, and for petrol, oil, and lubricants for vehicles allotted to the commission.

(d) With regard to wireless sets, the responsibility for providing communications between teams and the commission headquarters has been undertaken by India. Communications are as important as transport to the ability of the commission to do its duty. It is essential that the equipment provided be standard and acceptable to the Indian communications officer, upon whom responsibility for the communications service rests.

(e) The most important consideration of all is that reliance upon the Laotian parties for transport and other requirements would be wholly inconsistent with the commission's

responsibility for supervising the cease fire. Transport and communications are inseparable from commission operations. The commission must be independent of the parties in these respects if it is to retain its status as a neutral agency and be acceptable to all parties. The ability of the commission to discharge its responsibilities must not be subject to the ability or the willingness of one or other of the Laotian parties to provide transport or other necessary facilities. Such a dependent position would place the commission under the control of the Laotian parties and nullify its capability for conducting impartial investigations. The interests of all the Laotian parties can be served only if the commission has the ability to move and administer itself independently.

HOUSE OF COMMONS

Saturday, June 24, 1961

The house met at 11 a.m.

(Translation):

HOUSE OF COMMONS

ST. JOHN THE BAPTIST DAY—DISCOVERY DAY, NEWFOUNDLAND

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, on this day of "St. John the Baptist", may I associate myself with my French speaking fellow Canadians to pay tribute to their patron saint and to again recall in this parliament the contribution of French Canadians to our national life in all its aspects.

I should like to draw a lesson from the life of St. John the Baptist, who was beheaded for his indefectible courage in the defence of freedom and in denouncing the ways of the tyrant of the day. Today, when as a result of the historic evolution of peoples, western nations are faced with the task of defending man's fundamental freedoms, all Canadians need to feel united and draw from their traditions the courage and inspiration required to overcome the problems that may arise and hamper their common efforts for the establishment of a strong and prosperous nation, and full development of all its resources and possibilities.

(Text):

It is fitting as well, Mr. Speaker, to recall that today is Discovery day in Newfoundland. We offer common tribute to the people of Newfoundland who, by joining confederation, have given to all Canadians the right and privilege of claiming a share in their history.

(Translation):

Hon. Lionel Chevrier (Laurier): Mr. Speaker, like the Prime Minister, I should like also to call the attention of the house to an important event in the life of French Canadians: the celebration of St. John the Baptist day, in honour of their patron saint. Throughout French Canada, this feast day is celebrated with joy and enthusiasm. Not only in the province of Quebec are there joyous demonstrations—especially in Montreal, that big city, where is staged every year a parade of floats—to stress the importance of this patron saint's day, but also elsewhere in Canada.

I am just back from western Canada and in Gravelbourg, Saskatchewan, St. John the Baptist day was being celebrated this year. In Cornwall, Ontario, the French week will conclude with the celebration of St. John the Baptist day.

Mr. Speaker, it is appropriate that our patron saint's day should thus be celebrated because its purpose is to show that French Canadians are strongly attached to their language and religion. As long as our two cultures, the French and the English, can flourish without hindrance, we will have unity and peace, because they are the prerequisites of the progress and development of the whole country.

I should also like to call attention to the anniversary of the discovery of Newfoundland of which the Prime Minister spoke a few minutes ago. On this occasion, we should like to associate ourselves with our fellow citizens of that province and offer them our best wishes.

(Text):

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, on behalf of the members of this group I wish to say that we join with the Prime Minister and the hon. member for Laurier in their comments and their recognition of this day so important to Canadians of French origin. I can well appreciate what it means to them, because I know that on their part it is the counterpart of what St. George's day means to many other Canadians. I wish them a happy and successful day in all parts of Canada where this occasion is celebrated.

(Translation):

Mr. Remi Paul (Berthier-Maskinonge-Delanaudiere): Mr. Speaker, I want to thank the Prime Minister (Mr. Diefenbaker) on behalf of my French speaking fellow citizens for the good wishes he just tendered to us French Canadians. I also very much appreciate the wishes expressed by the hon. members for Laurier (Mr. Chevrier) and Kootenay West (Mr. Herridge).

The holiday we are celebrating today in Quebec gives us an opportunity of stopping a few moments, not only to recall our history, but also to note that we now look forward to the future with greater confidence, as the Canadian people today are more and more converging towards a well-conceived and well-applied national unity.

I therefore tender all my English speaking fellow members the most sincere thanks of my countrymen for the regard they expressed today on the occasion of our national holiday.

(Text):

Mr. John R. Matheson (Leeds): Mr. Speaker, as a Scottish Protestant may I associate myself with the remarks that have been made. I am sure all of us are moved by them. We also note with satisfaction the words from Maria Chapdelaine, selected by the incomparable Leonard Brockington in today's magazine section of the *Globe and Mail.*

(Translation):

May I suggest that, in this country, no one particular ethnical or religious group can claim sole possession of even its own treasures. These are the heritage of all those who are prepared to acknowledge their value.

(Text):

HOUSE OF COMMONS

REPORTED FINANCIAL IRREGULARITIES RESPECTING FORMER SECRETARY OF STATE

On the orders of the day:

Mr. Lucien Cardin (Richelieu-Vercheres): I should like to direct a question to the Prime Minister, Mr. Speaker. In the light of the statement he made yesterday in answer to a question concerning Senator Courtemanche, in which he said he had ensured that all ministers should be dissociated in every way from directorships in companies or associations dealing with the government, was the Prime Minister aware that in the Parliamentary Guide for 1960 under "Henri Courtemanche" it is clearly stated that Mr. Courtemanche was a director of l'Hôpital Jean-Talon?

Right Hon. J. G. Diefenbaker (Prime Minister): I have not the record before me at the moment, Mr. Speaker, but I think Mr. Courtemanche ceased to be a member of the house on January 8, 1960.

(Translation):

[*Later:*]

Mr. Guy Rouleau (Dollard): Mr. Speaker, I should like to put a question to the Minister of Justice.

Has the minister or the officials of his department received a letter from Mr. Guay, secretary of the royal commission on the Jean Talon hospital, or from a representative of that commission, including a transcript of the evidence relating to the Hon. Henri Courtemanche?

(Text):

Hon. E. D. Fulton (Minister of Justice): Mr. Speaker, yesterday about noon we received in the office of the deputy minister of justice a copy of a transcript of the proceedings of Friday, a week ago yesterday. We have not yet received copies of the transcripts of the subsequent proceedings relating to Senator Courtemanche but, as the Prime Minister advised the house yesterday, in the letter asking for this first transcript we also requested to be provided with copies of transcripts of any subsequent proceedings in which Senator Courtemanche was involved.

[*Later:*]

Mr. Cardin: Mr. Speaker, in view of the answer given by the Prime Minister to my previous question, I wonder whether the Prime Minister would care to comment on the fact that the Parliamentary Guide for 1959 lists Mr. Courtemanche as a director and treasurer of l'Hôpital Jean Talon.

Mr. Speaker: Order. It seems to me the hon. member is entering the field of cross examination rather than seeking information. The Parliamentary Guide is available to all members. In effect the hon. member is asking whether the Prime Minister read the Parliamentary Guide, I suppose, at a certain time. It does not seem to me that is a question which should be asked.

Mr. Cardin: Mr. Speaker, yesterday the Prime Minister made a statement to the effect that ministers of the crown would not be associated with directorships in companies. This morning I asked whether the Prime Minister was aware that in the Parliamentary Guide of 1960 Mr. Courtemanche was listed as a director and treasurer of l'Hôpital Jean Talon, to which the Prime Minister replied that in 1960, as far as his memory was concerned, Mr. Courtemanche was no longer a member of parliament but had been sent to the other place. My question is—

Mr. Speaker: Order. I comprehend all those facts which the hon. member has repeated, but it seems to me that rather than asking for information the hon. member is seeking to cross-examine or debate the earlier statement which the Prime Minister made. There is a more appropriate time to do that than on the orders of the day.

EXTERNAL AFFAIRS

PORTUGAL—STATEMENT ON GOVERNMENT POLICY ON SUPPLYING MUNITIONS

On the orders of the day:

Right Hon. J. G. Diefenbaker (Prime Minister): I wish to reply to the question asked by the hon. member for Essex East concerning the supply of munitions to Portugal.

As the house is aware, Canada has a mutual aid program which was designed for the purpose of helping our European NATO allies build up their capacity to resist aggression. It is carried out under NATO sponsorship, and allocations are made on the basis

of recommendations from the central NATO military and civilian authorities.

Under this program Canada has given assistance to Portugal. Such assistance has been provided on the understanding that it should be used only to strengthen the capacity of the North Atlantic Treaty Organization to defer or resist aggression, and only for the defence of the NATO area as defined in article 6 of the North Atlantic treaty. This understanding has been formally communicated to all countries, including Portugal, which have received Canadian mutual aid.

There have been no deliveries of munitions to Portugal since November 1960.

FINANCE

GOLD—REPORTED ACTIVITY OF SPECULATORS IN CANADA

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): I should like to address a question to the Minister of Finance. In view of the statement made by Mr. Jacobsson, managing director of the international monetary fund, that gold speculators in the United States, Canada and other countries are inventing and spreading rumours about currency changes that are damaging the economies of the countries in question, would the minister inform the house whether he has any knowledge of activities of gold speculators in Canada?

Hon. Donald M. Fleming (Minister of Finance): None in particular, Mr. Speaker. Purchases and sales of gold are undoubtedly going on in many markets the world over, and those who are engaged in such transactions no doubt are interested in whatever plans various countries may have in relation to currency changes.

THE BUDGET

CONSULTATION WITH MONETARY FUND ON EXCHANGE RATE

On the orders of the day:

Mr. W. M. Benidickson (Kenora-Rainy River): May I ask a supplementary question, Mr. Speaker? I asked the minister a question along these lines yesterday in order to ascertain whether Mr. Rasminsky informed Mr. Jacobsson of the minister's intention prior to the presentation of the budget.

Hon. Donald M. Fleming (Minister of Finance): I thought I made myself clear yesterday, Mr. Speaker, when in reply to a similar question I told my hon. friend that Mr. Rasminsky was in Washington on Tuesday and Wednesday. He had talked to Mr. Jacobsson and I believe to other members of the executive board of the international monetary fund. I did not have the precise times of these discussions, but I understood these discussions did take place on Tuesday and Wednesday.

Mr. Benidickson: There is some significance that I think the minister is overlooking, as to whether or not this information was given before or after his presentation of the budget. I hope that perhaps by Monday the minister could ascertain whether the deputy governor of the Bank of Canada did or did not inform the international monetary fund's director of the minister's intention before the presentation of the budget.

Mr. Fleming (Eglinton): Mr. Speaker, let there be no question about that matter. There are contacts frequently with Mr. Jacobsson in regard to various questions of interest to the international monetary fund. Mr. Rasminsky, as Canada's member on the international monetary fund board, had permission to discuss with Mr. Jacobsson any of these matters that might be thought to be of interest to the international monetary fund authorities.

Mr. Benidickson: Will the minister please be so good as to be precise on Monday?

Mr. Fleming (Eglinton): I shall be glad to get that information, Mr. Speaker, but I can assure the hon. member that it will not have significance as far as the point he is pursuing is concerned. Mr. Rasminsky and I had discussed this question and he had authority to have such discussions as might be desirable with the authorities of the fund.

Hon. J. W. Pickersgill (Bonavista-Twillingate): I should like to ask the Minister of Finance a related question. In view of the fact that it is proposed on Monday to debate the act respecting the Bank of Canada, will the minister consider getting the information and replying to my starred question on Monday in order that this information will be available for the debate?

Mr. Fleming (Eglinton): I asked the officials of the Department of Finance yesterday to obtain that information. I cannot guarantee that it will be available, but we will do our best.

INQUIRIES FOR RETURNS

On the orders of the day:

Mr. C. W. Carter (Burin-Burgeo): Mr. Speaker, I should like to ask the Secretary of State whether he can inform the house when the order of the house relating to notice of motion No. 142, which was passed on Wednesday, June 7, will be complied with. The order requests the production of the list of awards to veterans made by the Newfoundland commission government. It is a very short list; I think there are only about 18 names or 19 names on it.

Hon. Noel Dorion (Secretary of State): Mr. Speaker, I will check on that matter and give an answer later.

Hon. J. W. Pickersgill (Bonavista-Twillingate): While the Secretary of State is doing that checking, I wonder whether he would mind checking in order to find out how soon it is proposed to make a return to two motions adopted in this house some time ago with respect to the tabling of orders in council for which there was no legal authority. Presumably there are such orders or the motion would not have been adopted by the house. I think it would be most interesting to have this particular matter accelerated.

Mr. Dorion: I will check on the matter, Mr. Speaker.

IMMIGRATION

MRS. MALONEY—REPORTED DANGER OF DEPORTATION

On the orders of the day:

Mr. Erhart Regier (Burnaby-Coquitlam): Mr. Speaker, in the absence of the Minister of Citizenship and Immigration I wonder whether I might raise an urgent matter with the Prime Minister. I regret that I was unable to give him notice, but I have only now received a wire. I understand that a Mrs. Maloney is being held in Oakalla prison without benefit of bail and that she is in danger of being deported from Canada at any moment. Is the Prime Minister in a position to assure us that Mrs. Maloney will not be deported until she has had adequate legal aid?

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, I know nothing about Mrs. Maloney. I will have the question looked into.

FIRES

NEWFOUNDLAND—REQUEST FOR ASSISTANCE OF ARMED FORCES

On the orders of the day:

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, I wonder if I might ask the Prime Minister whether, particularly in view of the fact that today is Discovery day in Newfoundland and that on this day in an area very close to the place where Canada was discovered in 1497 there are really quite serious and possibly disastrous fires burning, the government of Canada would consider joining with the government of Quebec in offering any assistance it might be possible to give in the fighting of those fires.

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, I think the Minister of National Defence might reply to that question. That department is always ready to give assistance, and I am sure the minister has something to say in this connection.

Hon. D. S. Harkness (Minister of National Defence): Mr. Speaker, I received information just before coming into the house that Newfoundland has asked for help from the Royal Canadian Navy and the R.C.A.F. They have asked for both personnel and vehicles to fight forest fires in the vicinity of the northern portion of the St. John's area. Eastern command Halifax has instructed the Newfoundland area commander, Brigadier Morres, to make arrangements to honour the request to every degree feasible by the resources of the R.C.N. and R.C.A.F. that are there and able to be used.

Mr. Pickersgill: Mr. Speaker, perhaps I might be permitted to thank the minister for his reply and say that I am sure his attitude will be greatly appreciated.

POST OFFICE DEPARTMENT

ALLOWANCE TO POSTAL EMPLOYEES WORKING ON JULY 1

On the orders of the day:

Mr. G. J. McIlraith (Ottawa West): Mr. Speaker, I should like to direct a question to the Postmaster General. Perhaps it could be taken as notice, but I prefer to give him notice now because of the urgency of time. I have been receiving a great many telegrams, letters and telephone calls about a condition in the Post Office Department respecting postal employees who are required to work on Saturday, July 1. Because of some apparent uncertainty as to the exact provisions, would the minister advise the house what allowance by way of overtime pay or extra leave will be granted to postal employees who are required to work on Saturday, July 1?

Hon. W. M. Hamilton (Postmaster General): Yes, Mr. Speaker, I would be glad to do so. I might point out to the hon. member that some days ago a directive covering this matter went out to all our offices across Canada explaining the situation to those who are directly concerned. Of course I will be delighted to try to explain this to the hon. member with the hope that he will eventually be able to understand.

Mr. McIlraith: Mr. Speaker, I should add that it is that directive that has caused the uncertainty and confusion.

AGRICULTURE

MARITIME PROVINCES—INQUIRY AS TO AID TO POTATO GROWERS

On the orders of the day:

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, I wonder whether I may address a question to the senior parliamentary secretary to the Minister of Agriculture, and ask him whether on one of his recent rare visits to the house and to the capital the minister has had the time to bring the question of compensation in respect to potato rot in Prince Edward Island about which he made promises over two months ago, to the attention of his colleagues.

An hon. Member: We do not get anything for tommyrot.

Mr. L. E. Cardiff (Parliamentary Secretary to the Minister of Agriculture): The minister answered that question very favourably the other day when you asked it. I suggest that the hon. member just wants to get his name in *Hansard*.

Mr. Pickersgill: That answer is not very complimentary to the potato growers.

HOUSING

N.H.A.—REQUEST FOR LOWERING OF INTEREST RATE

On the orders of the day:

Mr. J. R. Garland (Nipissing): Mr. Speaker, I should like to direct a question to the Minister of Finance. Since housing starts seasonally adjusted have declined since February of this year, has the government any plans to reverse this trend, such as the lowering of National Housing Act interest rates?

Mr. Speaker: Order. I seem to recall that the hon. gentleman objected to information being given in regard to housing starts the other day.

Mr. Garland: Mr. Speaker, if I may say so with respect, the matter you are referring to was a matter of statistics, and the matter I am now referring to is one of policy which has resulted in a decline in housing starts, despite the figures which have been given to the contrary, because the seasonal adjustment shows that these starts are down.

Mr. Speaker: Order. The hon. member will appreciate that matters of policy are not declared on orders of the day.

Mr. Pickersgill: Or any other time.

SUPPLY

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

90205-6—442

Supply—Health and Welfare

DEPARTMENT OF NATIONAL HEALTH AND WELFARE

255. Departmental administration, $1,821,267.

Hon. J. W. Monteith (Minister of National Health and Welfare): Mr. Chairman, in line with my usual practice I propose to make a brief general statement in opening the committee's consideration of the estimates of the Department of National Health and Welfare.

As hon. members will note from the blue book, we are budgeting for a total expenditure in the fiscal year 1961-62 of approximately $1,600 million. This represents an increase of close to $150 million or roughly 10 per cent over the previous 12-month period. A customary feature of the department's annual spending program is the predominance of statutory expenditures. This is again apparent in our proposed outlays for 1961-62, in which statutory items amount to about $1,500 million or 94 per cent of the grand total.

Here the main components are: $606,600,000 for payments required under the Old Age Security Act; $523 million for payments required under the Family Allowances Act; $270 million for the federal share of costs under the Hospital Insurance and Diagnostic Services Act; $45,100,000 for federal contributions under the Unemployment Assistance Act; $30,900,000 for payments to the provinces under the Old Age Assistance Act; $16,600,000 for payments to the provinces under the Disabled Persons Act; and $4,200,000 for payments to the provinces under the Blind Persons Act.

Such statutory items account, as I have said, for 94 per cent of our projected total outlays for the fiscal year 1961-62. The remaining 6 per cent or $96 million represents items to be voted by parliament. These include: $47 million for payments to the provinces under the national health grants; $25 million for Indian and northern health services; $8 million for emergency health, welfare and training services; $3,700,000 for quarantine, immigration medical and sick mariners services; $2,300,000 for administration of the Food and Drugs Act; and $2,400,000 for laboratory and advisory services.

Looking at the increase in departmental outlays for 1961-62, statutory items account for $141,100,000 of the $150 million total increase. By far the most important factor is an additional $103 million required for the hospital insurance and diagnostic services program. This is to take care of anticipated increases in expenditures including the first full year of federal contributions under the agreement signed with the province of Quebec which became operative on January

1, 1961. The remaining $38,100,000 increase will cover the normal year to year growth of the various statutory welfare benefits which are paid either fully by the dominion government or on a sharing basis with the provinces.

Of the over-all $8,900,000 increase in voted items, $5 million relates to the national health grants and chiefly to the acceleration of hospital construction projects. The $2,600,000 increase in emergency health, welfare and training services is required largely for completion of phase 1 of the transportable hospital program. The net increase of $590,000 for Indian and northern health services is associated with the further expansion of services provided by that directorate.

This, then, is the broad outline of the department's spending program for the fiscal year 1961-62 which, as I have pointed out, totals close to $1,600 million. As hon. members are aware, there are a number of important policy steps which have recently been implemented in connection with my department. These include a new narcotic control act, an amendment to the Food and Drugs Act with reference to the so-called goof ball problem, and the announcement of the membership and terms of reference of the royal commission on health care.

In this regard, it has been most gratifying to the government to note the generally favourable reaction which these steps have evoked throughout the country. This is particularly evident in relation to the comprehensiveness of the study outlined in the terms of reference of the royal commission. On this point, we have felt that it would be unwise to attempt to examine any particular aspect in isolation, since health services are interdependent and must be closely integrated.

For example, the committee will note that the terms of reference not only envisage a close study of health services but also focus attention on the importance of training of professional and technical personnel and related medical research. This is to ensure that health services in Canada keep pace with developments in medical science which in turn will provide the highest possible quality of health care for all Canadians.

As far as the commission itself is concerned, I know the committee will welcome the fact that such a distinguished group of Canadians have been willing to set aside their ordinary activities in order to serve the country in a matter of such great importance. Under the chairmanship of Chief Justice Hall I am sure the study will proceed with all possible dispatch.

I should like to say a few words about the hospital insurance and diagnostic services program, which is now in operation throughout Canada. As hon. members will recall, the twelfth and final agreement was signed with the province of Quebec in December, 1960 and became effective January 1, 1961. While not all the provinces have as yet fully implemented the federal legislation with respect to insured out-patient services, we have reached the stage where some 18 million Canadians are eligible for coverage for basic in-patient hospital and diagnostic services.

From the point of view of my department, our estimated contribution to provincial programs for 1961-62 is $270 million. This, as I said, represents an increase of $103 million over the original estimate for 1960-61. The bulk of the increase is due, of course, to the fact that the province of Quebec, with a population of some 5,200,000, will be participating for the first time over a full 12-month period. Federal advances in this regard have been set at something over $72 million. In addition, an allowance has to be made for the final adjustment with the provinces for the calendar years 1959 and 1960, as well as for expected rises in costs associated with such factors as increasing bed utilization owing to increased numbers of hospital beds and growing population.

If I might be permitted to go back to the fiscal year 1960-61 for a moment, the house will recall that our original estimate of federal contributions was $167 million. As things turned out, this was on the low side. It did not include, for example, the participation of Quebec during the first three months of 1961 which, of course, could not have been foreseen when the calculations were made. This has involved federal outlays of some $13,900,000. When allowance is also made for increases in the cost of hospital operations generally, the total federal contribution for 1960-61 amounted to $189 million.

I turn now to the national health grants. Hon. members will note a change in their presentation in the blue book. For 1961-62 they have been split up into two separate votes, general health grants and hospital construction grants. Formerly they were all under one vote but under separate headings. The new arrangement, I would point out, is merely for greater administrative convenience. As the committee is aware, there are certain differences between hospital construction grants and the other grants, particularly the fact that funds outstanding under the former are subject to annual revote while those under the latter lapse at the end of each fiscal year. In view of such considerations, it has been felt more appropriate to have them appear under separate votes.

I wish to say a word now about polio vaccine. The dominion government has, of

course, played an important part in the nation-wide Salk immunization program. Some $6 million in federal funds has been contributed toward the cost of producing the vaccine, and the same kind of support is now being given the development in Canada of the new Sabin-type live polio virus vaccine. This oral vaccine is being manufactured in Canada at the Connaught medical research laboratories in Toronto, and plans are under way at the institute of microbiology and hygiene in Montreal for similar production. Federal financial support in this regard has already amounted to over $250,000. While it is still too early to assess the results of various demonstrations conducted in different parts of Canada, indications so far have been favourable. Because, however, of certain technical difficulties, licensing of the vaccine is still a matter which is under review.

Another development in connection with my department's health activities merits brief mention. This was the opening on January 16, 1961 of a new 80-bed general hospital at Inuvik, Northwest Territories. Costing close to $2 million, the hospital provides an important additional link in our far flung services for Indians, Eskimos, and other residents of the north. It will cover primarily the Mackenzie river delta, and brings to 22 the total number of hospitals operated by our Indian and northern health services.

On the welfare side of my department's operations, it will be noted that this continues to account for the great bulk of our annual expenditures. In fact cash benefit programs such as family allowances, old age security and various joint federal-provincial pension arrangements add up to $1,200 million out of our total budget of $1,600 million.

For 1961-62 our expenditures for old age security are expected to reach some $600 million. This substantial amount is due not only to the steady increase in the number of recipients but also to the higher rate of benefits paid now as compared with the amount provide at the time the program was inaugurated. Indeed, of the amount now involved, approximately $165 million is due to the increase in benefits from $40 to $55 a month.

A further point worth mentioning is the current state of the old age security fund. In the fiscal year just completed, revenues from the three earmarked taxes were sufficient to meet benefit payments. For the first time in the history of the program it was not necessary to resort to loans to make up a deficit. This is a most encouraging development, and means that old age security has at last achieved the original objective of financing on a pay as you go basis.

As hon. members will recall, an important change was introduced in the program last year. I refer to the new provision permitting qualified old age security recipients to draw pensions while residing outside Canada even on a permanent basis. This move was very well received throughout the country and has, I believe, been of substantial value to many pensioners who for one reason or another have chosen to leave Canada.

It is interesting to note the number of persons who have taken advantage of the amendment. As of April 30, 1961, 6,758 pensioners were receiving old age security benefits out of the country. This represents three quarters of 1 per cent of the total number benefiting under the program. Of these out of country recipients, 1,357 were residing in the United Kingdom, 4,536 in the United States and 865 in other countries of the world. As I have pointed out the legislation now permits payments to qualified pensioners who are absent indefinitely. According to our latest figures, 2,777 pensioners have been away from Canada beyond the period of six months. This is one third of 1 per cent of the total number of recipients.

At this point it might be of interest to see where Canada stands in relation to other federal states of the western world in the matter of cash benefits for senior citizens. In 1959-60 our expenditures, including old age security and old age assistance, represented 2.45 per cent of the net national income. In the same year, payments in Australia accounted for 2.33 per cent of national income and in the United States for 2.66 per cent. The latter includes both the O.A.S.I. and old age assistance programs. This small differential between the United States and Canada is particularly significant when you consider that per capita personal income in the United States is almost a third higher than in Canada.

Before leaving the matter of benefits for senior citizens I should perhaps add that the government is continuing its examination of various approaches to old age income security. This includes of course matters such as portable pensions, the Clark report, and developments in other countries. In view of the growing interest on the part of labour, management and a number of provinces in the provision of more adequate private pension arrangements, this area has been receiving particular consideration. As hon. members are aware, the Minister of Finance in his latest budget statement indicated that the government has decided to ask the co-operation of the provinces to deal with the solvency and portability of private pension plans. We consider that there is room for

more widespread expansion of these plans on a secure basis, and are prepared to work with the provinces toward this end.

A survey which is now being carried out by the dominion bureau of statistics should prove to be of particular value in connection with this latest proposal. This survey will provide up to date data on the number of persons covered under private pension plans, the nature and extent of vesting and cash surrender provisions, as well as information on the transferability of pension rights. These and other facts relating to private provisions for old age income security should prove most helpful in any federal-provincial discussions on this subject.

I might also say a word or two about the unemployment assistance program. As I mentioned earlier, our estimated expenditures in this regard amount to some $45 million for the current fiscal year. Since claims by the provinces for federal reimbursement may be as much as six months late in reaching my department, it is not possible to provide up to date figures as to the number receiving benefits under the program. In October, 1960, however, it appears that the total coverage had reached something over 400,000 persons including dependents.

The increase in expenditures under unemployment assistance over the past few years has been due to a number of factors. Among these are the program's extension to all provinces and the territories, the removal of the threshold provision and the increase in rates of benefits paid by the provinces and municipalities. In addition, there is the fact that a number of provinces, including Ontario, Manitoba, Saskatchewan, Alberta and British Columbia, are now using the program to provide supplementary relief payments to recipients of old age security, old age assistance, blindness and disability allowances. This means in effect that the dominion government has been sharing in additional aid above the general level of $55 a month, which in cases of special need has not constituted a rigid ceiling on benefit payments.

I do not plan to make any remarks at this time with regard to the fitness, recreation and amateur sports program forecast in the speech from the throne and which, as the Prime Minister mentioned in answer to a question in the house recently, will be dealt with through legislation. An opportunity will be provided for detailed consideration of this subject when the matter is brought before the house.

Finally I should like to turn to our efforts in emergency planning and radiation protection. Earlier this year cabinet approval was given for the establishment of a special advisory committee to the Minister of National Health and Welfare on emergency health services. Like its predecessor, the defence medical and dental services advisory board, this committee is composed of the appropriate federal officials as well as representatives of various national health organizations. Its first meeting took place here in Ottawa last month, and I am glad to say that a good start was made toward providing greater stimulus and continuity to the progress of emergency health planning in Canada.

As in the case of emergency health activities, the greatest problem in emergency welfare planning has been to encourage the setting up of suitable organizations within provincial departments. I am therefore happy to inform the house that arrangements have now been worked out with nine provinces, including the appointment of five provincial emergency welfare service planning officers to be paid under the financial assistance program. Taken together with the increasing coordination of policy and stepped-up training activities, this development, I believe, augurs well for the continued growth of Canada's capability to meet whatever emergency welfare needs may arise in the years ahead.

On the matter of radiation protection, I have indicated on previous occasions that preparations were under way for what is called a total body monitor unit. The physical facilities for the unit have now been completed and the necessary equipment and special steel shielding installed. When in full operation the total body monitor will constitute a major addition to our over-all radiation measurements program.

Other aspects of our radiation protection activities have continued to expand to meet the increasing demand for services. A network of 23 stations has been set up across Canada for the regular collection of samples of air, rainfall and soil. The well established milk sampling program is going ahead, and we are also beginning to receive human bone samples in accordance with a revised sampling pattern. The results of all of these studies are published in quarterly and annual reports.

In this connection, the latest figures on strontium-90 in milk bear out our expectation of declining levels. For the fourth quarter of 1960 the national average was 9.5 micromicrocuries per gram calcium compared with 15, 12.9 and 9.3 during the previous three quarters of 1960. These levels are all the more significant when it is recalled that the quarterly figures for 1959 were 10.8, 18, 14.6 and 14.2 respectively.

During the past 12 months additional laboratory facilities have been provided for the

analysis of radioactive samples from foreign countries. This, as hon. members will recall, was planned as Canada's contribution to the world-wide fall-out study program of the United Nations scientific committee on the effects of atomic radiation. In this connection negotiations have been under way with four countries, Ghana, Pakistan, Burma and Malaya. Agreement in principle has now been reached with the first three, while discussions with the fourth are still in process.

Just before resuming my seat, Mr. Chairman, I should like to pay a tribute to the staff of the Department of National Health and Welfare who have assisted me during the past year, many of whom have been in the department for many years, and to their dedication to duty during that period. I should also like to mention that yesterday morning I had the pleasure of turning the sod for a new headquarters building at Tunney's pasture. This will bring units now scattered in some 19 different locations throughout Ottawa under one roof for the first time, and while it is going to take some two years to complete the building I am sure that the new headquarters will lend itself to much more efficiency in the management of the department.

Mr. Benidickson: Mr. Chairman, no one regrets more than I the unavoidable absence this morning of the former minister of national health and welfare, the member for Essex East, by reason of a previous commitment. In these late days of the session we have very little advance notice, of course, which departmental estimates will be discussed on Saturdays. So it falls to me today, as it did two years ago, I believe, under similar circumstances involving short notice, to make some observations on behalf of the official opposition in connection with the department's program and comment upon the statements made by the minister in introducing his estimates for 1961-62.

I was a bit disappointed by his presentation. This is a terrifically important department of government from the point of view of human benefit and advancement. The minister did not say so, but in recent years it has been the second largest spending department of the government. The minister also did not say so, but I suspect that in the coming year it may perhaps overtake the Department of National Defence as the biggest spending department. Although the minister indicated that over 94 per cent of the department's expenditures result from prior statutory decisions and are not policy matters that come before us for consideration at this time, the fact is that new advances require legislation and the minister has not given us any indication that such new legislation is being planned by the department.

In my opinion he confined himself too much to a financial and statistical analysis of the department. In a department of this kind I would have thought we might have had from the minister an indication that the department is not standing still, that it has studies actively under way beyond those to which he referred, which were not very many in number, that would involve new programs which would indicate that the department was continuing to provide inspiring and imaginative leadership in welfare and health arenas. I regret that in the report the minister made in introducing his estimates there was nothing with respect to the views of the department on a comprehensive medical health plan.

Respecting pensions, we have heard from the minister every two months during the past two years in which he has had the Clark report in his possession that he has been studying this report. He said nothing more about it in his presentation today.

Mr. Monteith (Perth): Yes I said we were studying it.

Mr. Benidickson: Yes, studying it; and, as I have said, the minister has made similar statements every two months over the past two years.

All of us receive copies of the representations that are made to the cabinet each year by the Canadian welfare council, and we note the many imaginative and advanced programs set out therein. The minister made no reference to the attitude of the government toward the representations made by this most competent, most dedicated, voluntary organization. A resolution was introduced during this session by the hon. member for Mount Royal respecting the problem of mental health. At that time the minister said he had a great deal of sympathy for the purport of the resolution. This is another important field in which no report was given to the nation by the minister during the introduction of his estimates.

Earlier this session I raised a question with regard to Canada's participation in an important conference held in Washington relating to medical care for the aged. We have heard no reference to that. If the government is not prepared to embark upon a comprehensive medical plan, are there no studies under way in respect of medical assistance at least for the aged? There was some reference in the minister's statement to portable pensions. The Ontario government has had a committee at work in this field, and this committee believes a central agency should undertake consideration of portable and trans-

ferable pensions. This subject was mentioned in the budget speech, and reference was made to the fact that it is merely under study and that the participation of the provinces is required.

The minister mentioned the old age security fund. He said that, for the first time, the fund was in balance. We all know that in 1959 new taxes were imposed on the income tax side, on the excise tax side and on the corporation tax side which were designed to bring in from the point of view of tax imposts $2 for every dollar to which the government had committed itself in extra payments under old age security in the previous year.

The minister gave some illustrations of the percentage of national expenditure applied in some countries in the health and welfare field. He compared Canada's position in this respect to that of the United States, Australia and some other countries. There is a feeling in Canada and the United States, particularly among businessmen, that one of the handicaps from which they suffer in competing in world markets is the fact that we have an unnecessarily heavy burden of welfare payments.

I have been looking at some reports recently provided by the Canadian tax foundation. I was startled to realize that this impression that is held and spread by many Canadian businessmen to the effect that they cannot compete in export markets because of the tax burden imposed by welfare payments is not borne out by the facts. I find that, on the tax side, our taxes are not higher than those imposed by the countries of western Europe and Britain from which our businessmen are getting the keenest competition. On the welfare side, the tax foundation reports that the welfare payments of those countries take a greater percentage of the national income than is the situation in either Canada or the United States. We must not excuse our failure to compete in the markets of the world with countries such as Germany and the other keen, aggressive countries in western Europe by saying that we pay higher taxes in Canada, or that government legislation in Canada and the United States imposes upon the business community the cost of welfare payments beyond those of our competitors in western Europe. These are not the facts.

The minister referred to unemployment assistance. I hope later, during the discussion of his estimates, we will hear much more about this subject. It is true that $45 million will be required under this program, according to the estimates which are before us. The minister said that in October, 1960 some 400,000 Canadians participated in the unemployment assistance provided by this legislation. He said that this resulted from a number of factors. He quoted some liberalization of the rules under which the federal department participates with the provinces and, in turn, with the municipalities in this field. Of course one would not expect the minister to mention what I believe to be the fundamental factor, that such a huge number participated. I pointed out the reason for this condition the other day in the budget debate, when I referred to the complacency and lack of planning on the part of this government which has resulted in a lack of proper growth in our economy, a stagnation which has meant that the gross national product has not increased in the same way it has in other countries throughout the world to take care of those who are entering our labour force.

I remind the members of the committee that as recently as last year the estimates committee spent 20 sittings studying the program and expenditures of this Department of National Health and Welfare. I was a member of that committee. I felt the review was very rewarding indeed. The *Hansard* record of the estimates committee covers over 500 pages, and as a result of that review last year perhaps we will be able to shorten the debate today in this committee of supply of the House of Commons.

However, I want to refer again to what I think is the most important next step that must be considered by those in the Department of National Health and Welfare. I refer, of course, to a comprehensive medical plan. We have had a short experience now with the hospital insurance plan. However, hospitalization insurance alone falls short. I think all national political parties have been giving this matter considerable attention. Better programs are available in other countries. However, I wish to put on the record the up to date plan the Liberal party proposes in this field. In doing so may I say that I am quoting from the resolution presented and approved unanimously at its rally in January, 1961:

> Second only to the threat of unemployment is the threat of illness. Hospital insurance, which has now become available to all Canadians, does much to lessen the insecurity of ill health. But it is not enough. Many people still face medical costs outside the hospital scheme, that are financially crippling to them. While various good schemes of prepaid medical care are in operation, they are not available to everyone, on terms everyone can afford. In consequence there are still many Canadians who go without medical care that they need; and others, whom serious illness forces to go to a doctor are thereby pushed into overwhelming debt or a catastrophic impairment of their savings.

It is the Liberal policy to end such social evils. Universal hospital insurance was a big step forward. Further measures are needed to reduce the insecurity arising from illness. A new Liberal government will undertake at once, to provide extended hospital facilities including mental health and rehabilitation, comprehensive care by doctors, drugs and medicines and diagnostic services.

Now the question arises, how is this plan going to be paid for? This, of course, was questioned when we were still dealing with the supplementary budget of the Minister of Finance in January after the rally of the Liberal party. Nothing could be clearer as to the Liberal party's position in this respect than what was stated by the Leader of the Opposition on January 20, 1961 when those on the government side questioned the financial responsibility that was involved in a program of this kind. As found at page 1273 of *Hansard* the Leader of the Opposition gave four fiscal measures which he felt were being neglected and were of imperative concern after more immediate actions such as dealing with unemployment. He referred to reduction of the rates of personal income tax. He referred to extra unemployment benefits and some other matters. But with respect to the all-embracing plan for health he said this; that perhaps the most important of those things that must come forward as needed new programs for Canadians is the matter of a medical health plan. The leader of this party said that this, of course, is one of those things that should be implemented during an expanding economy and not a contracting economy. Under the present government we have had five deficits in succession. Under the previous administration we were able to provide surpluses and reduce our debt. Under circumstances such as these, on a deficit financing basis, of course, perhaps it is not possible to finance the substantial costs of a medical health plan. However, given policies that would return us to surpluses in our financial administration I say, as did the Leader of the Opposition, that this would be one of the first of the new measures that should be added to Canada's health and welfare program.

An hon. Member: The Liberals were in power for 22 years.

Mr. Benidickson: My hon. friend refers to that. I say to him that there was not one of the programs advanced to the Canadian electorate by the Liberal party in 22 years and involving no participation by other governments, such as governments at the provincial level, that was not carried out according to the commitments that were made by the Liberal party.

In addition I point out that inflation is a very important factor as to the value of the welfare programs that are provided. I think of the very pertinent comment that was made in the session of 1957-1958 when this government assumed office. We were then debating the speech from the throne. The former prime minister, Mr. St. Laurent, had taken his position on the other side of the chamber as leader of the opposition. I think he described a sensible position with respect to welfare advance in these words, as found at page 44 of *Hansard* of October 16, 1957:

As for the measures forecast to increase old age security and other social benefits, naturally every true Liberal will welcome them in principle. Our sole concern will be to see how they fit into the whole financial picture and how far the government will take effective measures to control the rise in the cost of living which, if unchecked, could easily take away all the advantages of the proposed increases.

Naturally, as I perhaps take a special interest, because of party assignments, in the financial policies of the country, I express some apprehension about inflation. Some of the matters that we shall debate during the budget discusison and even in connection with the Bank of Canada bill concern welfare payments. I wish to say that Mr. St. Laurent's words of 1957 should be regarded by members of this house with the utmost attention. The people who will lose most or suffer most by reckless financial policies, by monetizing in an unnecessary or improper way or by any wild operation of the Bank of Canada, are those whose cheques we are concerned about today when we are examining the estimates of the Department of National Health and Welfare.

Mr. Martin (Timmins): I should like to start off by doing something that I think I always try to do, namely by giving credit where credit is due and, of course, to criticize where we feel criticism is warranted. I should like to pay tribute to the sincerity of the Minister of National Health and Welfare. I have always found him to take his duties very seriously and to discharge them very sincerely. I should also like to pay tribute to the devotion to duty of the members of his department. Because of the fact that the departments are so closely intertwined and interwoven I also pay a special tribute to the provincial department of health and welfare in Ontario and to the deputy minister, Mr. James S. Band, with whom I have had occasion to have considerable dealings in connection with individual problems in the field of health and welfare.

For four years the party to which I belong has been critical of the policies of the present minister, as we were critical of the policies of the previous government during their term of office. With all due respect to my hon. friend from Kenora-Rainy River, for whom

I have a very high regard, I do not think we can take the Liberal promises any more seriously today than we could when I was two years old and they promised us health insurance. However, in my few remarks today, in the interests of getting this extended session drawn that much closer to a close I intend to try to make a technical, at least in my humble opinion, rather than a political criticism of this situation.

If the C.C.F. party has for many years criticized this particular field it is because we feel that as a nation possibly this has been our greatest failure. In this very favoured country in which we live this is one field in which we lag far, far behind so many countries throughout the world. It is interesting to note that recently we have been joined in our criticism of the present methods and policies in connection with health and welfare by an ever growing number of people and newspapers throughout the country.

I should like to draw particular attention to the *Globe and Mail* of May 10, 1961. The whole of page 7 of this newspaper is devoted to this very problem. I think some of the things stated on this page might very well be placed on *Hansard* while we are debating this issue today. There is, for example, an article written Professor Kenneth Duncan, who is in the department of economic and political science, University of Western Ontario. I think some of his words are very apropos to the item before the committee. He says:

> Welfare and social services provided to needy Canadians should be rationally organized and entirely financed from the public purse. In every province—and the province is the effective jurisdictional unit—these services are now provided by ill co-ordinated, overlapping, understaffed and underfinanced congeries of private and public agencies.
>
> This ramshackle structure is a heritage from a time when all seemed to agree that it was no part of the government's duty to do much to comfort the afflicted. Most charity and social service work was then regarded as a matter for religious bodies, personal philanthropy or private organizations of the tender minded. It was in such a day that some of our best known and most useful agencies were founded.

A little later in his article he says:

> Today, we find every level of government providing a variety of services or welfare payments such as family allowance, mother's allowance, old age assistance, public relief, medical care of the indigent, treatment for alcoholics, blind pensions etc. Yet public authorities were always willing to permit private agencies to go on providing services since it kept down taxes—

I should like to digress for a moment, Mr. Chairman, to underline that point. I have mentioned this on many occasions in the house. This is one of the fields in which we like to indulge in our favourite pastime of self-delusion. We feel that as long as we can keep taxes down the government are doing a good job in this field, when in fact they are failing and are remiss in their duties. By virtue of keeping taxes down they do not provide these services and in fact, as is mentioned in this article, through a conglomeration of various agencies the cost to the public is actually higher than it would be if these agencies were properly organized. Professor Duncan goes on to say:

> —and there remains as a consequence a complex of private agencies providing such things as child care and protection, family counselling, nursing and health services, care of homeless and transient men, protection of unwed mothers and numerous other services which by contemporary standards are necessary to the community.
>
> Such an arrangement as this leads almost inevitably to inefficiency in operation, poor inter-agency co-ordination, high costs in terms of services given and to some abuse by professional indigents. It has persisted this long because each private agency inevitably becomes a vested interest.

I think that is one of our greatest problems in trying to get something done in this field. Over the years we have seen so many fields in the many different branches that make up the Department of Health and Welfare. We have seen these little, vested interests grow up in our society, and once they have grown up they dig in their heels and resist all efforts to improve the over-all situation because it interferes with their own particular organization.

In saying this I am not being critical of the individual organizations as such. Many good people devote many hours of hard work in order to make a success of their particular organizations. However, I think if we look at the over-all picture we see that the headline on this page is very well warranted. The headline reads:

> Is full government control the answer to the failure of our welfare agencies?

That is being very critical of the present situation of the various health and welfare agencies in our society, but I think the criticism is very much warranted because if governments were doing the job they are capable of doing and should be doing in the first place, we would not need this great conglomeration of agencies be they religious, service club, private or what have you. The only reason these have sprung up across the country and have grown is that there was a great need in this field. I fully appreciate that at one time the thinking was that governments had no responsibility in this field, but I do not think we will find too many people in the country today who will go along with that type of thinking.

On the same page of this issue of the *Globe and Mail* there is another article written by a man who is very well known in this field, Professor John S. Morgan, who is

in the school of social work of the University of Toronto. The first paragraph of his article is, I think, well worth mentioning at this time. It reads:

> The time has come to bring welfare up to date. Too many of us think of welfare as something that the rich provide for the poor or the wise give to the foolish. In actual fact, in a modern industrial society, all of us are recipients of welfare services and all of us contribute in some way to the provision of welfare services. The problem of welfare in the future is to organize the complex operations of this mutual dependency in the most effective, the most economical and the most efficient way.

I think the minister could do much worse than give a great deal of thought to the words of Professor Morgan. He is well known as one of the experts in this particular field on the North American continent. On the same page there is another article written by a gentleman who is becoming well known and who certainly is well versed in his own field. I am not going to deal with some of the most bitter criticisms in his article, because I think I could go as far as to say there may even be a political twist to this. I know the gentleman very well; he originally came from my own town of Timmins. This is an article written by Mr. Gower Markle, who is the Canadian director of education and welfare for the united steel workers of America. I should like to read one paragraph which I think is apropos of my remarks today. This paragraph reads as follows:

> Much of the current debate on welfare is on the level of "who will give and how much" and "who will receive and how much". This serves only to obscure the fact that Canadians have yet to make a fundamental decision whether we are socially responsible or not. And if the answer is negative all the rest becomes irrelevant.
>
> If the answer is positive—then, we have to determine how best to provide the goods and services required to take care of the present needy.

I should like now to highlight one matter which I believe to be a great problem and drawback in our efforts to develop some kind of sensible, comprehensive health and welfare program across this country. This problem involves a tendency on the part of many individuals and newspapers to look only at the actual cost in dollars involved in the development of a program upon which the government, through the Department of National Health and Welfare could embark, and completely ignore the resulting savings from the adoption of measures of this kind. They also completely ignore the better health standards that accrue from the adoption of such measures.

Another drawback to our efforts in this regard is the tendency on the part of governments, both federal and provincial, to boast about the number of dollars spent in certain fields, as though by the mere mention of the amount spent the job is accomplished. I suggest it is time to look at our health and welfare measures in the light of what has been accomplished and what has yet to be done rather than by just totalling up on an adding machine the X number of dollars which have already been spent.

We in this group for many years have propounded the need in this country of a portable pension plan. I have mentioned before one of the biggest obstacles to the accomplishment of this type of plan and do not intend to deal with it at length today. However, I should like to say that the obstacle arises because of the fact that over the years we have built up little groups of vested interests with pension plans, such as in industry and in municipalities, here and there and all over. In fact we have heard a great deal within the last few days about one pension plan, and we shall probably hear quite a bit more about it within the next few days.

Have we ever stopped to think that even this particular controversial pension plan of the past, present, but not too far in the future, governor of the Bank of Canada would involve no issue at the present time if it were part of a portable pension plan available to all citizens of this country? I believe this controversial pension plan will provide approximately 50 per cent of the governor's salary on retirement. I think that is a very laudable objective in respect to a comprehensive portable pension plan available to all citizens. I believe that if citizens of this country, from the governor of the Bank of Canada down, were to contribute their just and equitable share toward that type of a pension plan there would be no beef regarding anyone receiving 50 per cent of his salary on retirement, because each and every person in this country would then have paid an equitable share toward this pension to be received at retirement age.

Whenever we hear about pension plans, just as when we hear about health or hospital insurance plans, while we believe they are wonderful ideas we wonder where the money is to come from to pay for them. I should like to remind hon. members that a portable pension plan, such as I have referred to, should in the long run be self-liquidating and self-supporting. I agree that to establish a plan of this kind will involve the spending of a good deal of money for some time; but what we will be doing is paying off our past shortcomings, and once we have done so the plan will carry itself and there will be no cost as such then to the Canadian taxpayer.

I do not for one moment think this will be an easy task. I have given considerable study to the problem and realize the tremendous complexities involved. My greatest

criticism of this government at the present time arises because I see no effort being made to reach this goal. This goal cannot be reached in six months or perhaps even in five years, but I maintain that if we never start, the job will never be done.

I fail to see any real measure of progress being made in this field by the present government, although it has been in office for four years. I believe this government should launch boldly on a plan, giving a complete and honest picture of the costs and prospects to the Canadian public. If this were done I am sure the public across the country would get behind the program and support it. If the taxpayers realized that by paying their proper share they could accomplish this job; if they knew they would not be hounded every Saturday morning by organizations carrying out tag days, which will not accomplish the job but only keep things going, they would support the government's program. I suggest that if the businessmen of this country knew that through the paying of proper taxes the job could be accomplished without their being hounded, not only on street corners during tag days but through their businesses and service clubs, which have never been able to accomplish the job in this country, the government would then get the full support of all those taxpayers, and this great program could be accomplished.

Mr. Winkler: Mr. Chairman, like previous speakers I should like to acknowledge the responsible manner in which the minister and his senior officials have discharged their responsibilities to parliament and to the country, and I should like to assure him that the small bouquets I throw do not contain any hidden bricks.

The previous speaker in his concluding remarks mentioned the undesirable feature of people wandering the streets on Saturdays holding tag days. While his remarks are prominently in my mind I should like to state that I do not think anyone in this country would stop publicly minded citizens from endeavouring to make their communities better places in which to live, or from helping their fellow citizens. I do not think this type of argument should be entertained in respect to this particular subject.

At the beginning of the present session I placed a resolution on the order paper which I hoped would have been discussed before this time. I regret that in referring to it now I am taking up some of the time for the discussion of the minister's estimates, but I feel that I should do so. That resolution requested the government to give early consideration to the advisability of instituting a contributory pension system available to age 65 as a more equitable means of supporting the independence of Canadian senior citizens.

My purpose in bringing this resolution before the house and the country stems from my personal realization of the desire of most Canadians for such legislation and, I assure the committee, from my own humanitarian ideals, divorced completely from any political implications.

I believe that the three political parties now constituting the house agree unanimously that some such program should be instituted. I hold in my hand a press clipping of a statement by the hon. member for Essex East, who expressed a desire for such a plan. I have a statement by the Prime Minister which may not deal directly with it, but the inference one gathers from the statement is that the Prime Minister favours such a plan. I also have the statement made by the Minister of Finance when he presented his budget. This statement is taken out of context, of course, and has a slightly different meaning, but his words are as follows:

> It is desirable that those who have been employed throughout their working years should be able to retire without fear of want.

I have a further statement by the minister of public welfare for the province of Ontario, part of which reads as follows:

> In almost every country a contributory insurance-maintenance plan anticipates the future needs of these persons. We could view this as a responsibility which should be treated by the individual, himself. We might consider that he should prepare, well in advance, for his own future needs and the needs of his family—for the eventualities which will probably arise.

These are the important words:

> Experience has shown, however, that such individual preparation does not take place.

When we hear the minister relate that 7,934,374 individuals collect $1,226,400,000 from the federal treasury I believe the wishes of the people should be given consideration in regard to the proposal I am making.

When I decided to discuss this matter in the house I immediately realized that the entire subject is too vast and complicated to discuss specifically. However, I hope the basis of my thoughts will be sufficiently clear to convince the minister, the government and all hon. members of the desirability of such a plan. Social security, as we refer to it, is by no means new to the world at large. I was interested in an excerpt from the book I hold in my hand, written by Mr. Arthur Larson, who is now director of the world rule of law centre at Duke University, North Carolina. This is the excerpt I should like to read:

> It is always something of a shock to those who call social security "socialistic" to discover that

it was, in origin, an anti-socialistic measure. It is an even worse shock to find that the father of social security was no dewy eyed liberal or left winger, but the iron chancellor himself—Otto von Bismarck.

During the years following the war of 1870-1871, Bismarck began to be concerned about the growing strength shown in elections by the Marxian socialists—whom we would now call communists. He met the situation, and took the wind out of the Marxians' sails, by laying before the Reichstag a comprehensive social insurance system. It was enacted in various measures between 1883 and 1887, and contained provisions for payments in case of sickness, accident, disability, widowhood, and old age.

The idea spread gradually throughout Europe, and received an important addition when the British, in 1911, added the idea of unemployment insurance. Once more, it is significant that it was not socialists or even trade unions who put through unemployment insurance in England. In fact, the Fabian socialists, including Sidney and Beatrice Webb, and the free trade unions, all opposed it. Unemployment insurance and related measures were put through in England by such people as Winston Churchill, Lloyd George, Beveridge, Lord Asquith, Hubert Smith, Neville Chamberlain, and Joseph Chamberlain. It is typical of the history of social security that it did not come in on a great wave of popular demand from the mass of people, as Marxians would now like to have us believe. It came largely because of the efforts of farsighted individuals, who were found as often as not among the ranks of those who would be called conservatives.

At the present time I believe that most authorities on this subject consider the United States plan to be the best in operation. Therefore I have chosen to make a few observations concerning our separate systems on a comparative basis. We are aware that the Canadian system in effect is financed on the 3-3-3 formula, with these percentages being collected from sales tax, corporation tax and personal income tax. This formula supplied $603.1 million in the year 1960-61, which represented $10.7 million in excess of receipts over expenditures. In the current year it is estimated that $607 million will be required to finance the necessary payments.

With the flat rate payments of $55 a month I have learned and the minister indicated, that Canadian payments amounted to 2.45 per cent of the national income, whereas in the United States payments amounted to 2.66 per cent of the national income of that country. The difference is accounted for by the fact that in Canada the minimum and maximum are the same, while in the United States the payment ranges from a minimum of $33 to a maximum of $127. There are two very relative points to be borne in mind, namely that the United States per capita income is from 25 per cent to 30 per cent higher than in Canada, and that the United States plan supports a disability and survivors insurance program as well, in addition to the program that we have in effect.

With regard to welfare payments as we understand them, I think the time has come when we must give further consideration to unemployment insurance benefits. This matter has been studied by the authorities in several of the provinces. I am sure hon. members will be aware of this. They have said, and this is also my opinion, that unemployment insurance benefits could be more adequately handled if they were paid out directly by the provinces. As I have said, this has been requested by some of the provinces. In the United States unemployment insurance is handled entirely by the state authorities, and is no concern of the federal government.

In the United States in 1960 the average income for retired workers was $69.50 for a single person and $123.40 for a married person. The differential as compared with the Canadian figures can be discounted, if one chooses to do so, on the basis of the difference in income. One of the great advantages of the United States program, in my thinking, is the benefit paid to widows and their children under the age of 18, or the survivors benefit, and also the disability insurance, which I would advocate, if the government were to institute such a plan. At this point, Mr. Chairman, I think I should say that the United States system is financed by a 3 per cent employee and a 3 per cent employer contribution, with 4½ per cent being paid by the self-employed, based on a maximum taxable income of $4,800 for this purpose.

Because of the many experiences I have had where people under the age of 70 have become disabled and are not eligible for old age assistance, I would recommend that the government include the disability class in a prepared program. This I realize, from the experience of 1951, and in consideration of survivors benefits, may create a constitutional problem but I should hope that it would be of minimal proportions. I believe that such a program could be put into effect on a 2 per cent employee and 2 per cent employer basis, and adjusted as experience required. I have been assured that such a program would carry itself financially on a 1 per cent and 1 per cent basis if the 3-3-3 formula were retained; but I would not advocate such a course, because the people want a plan on the basis of contribution so the returns are a personal right as opposed to some of the current thinking. Moreover, I believe the minimum could be raised and the maximum set to allow a flexible scale for those who contribute the maximum, possibly a range from $70 to $100.

Those who have studied this matter will realize that in such a system the problems

of portable pensions and of vesting rights would be removed, because there would be a lessening in the tendency to change jobs, which usually results in the employee losing some of these privileges under existing private schemes. Therefore I was interested, of course, in the statement of the Minister of Finance in presenting his budget. Private companies which have expressed certain fears in regard to the implementation of this type of legislation need only to look to the United States, where the experience has been that such insurance sales have increased tremendously since the inception of their program.

I should like to state, Mr. Chairman, that a contributory social security system, as I have referred to it, would foster many of our fundamental beliefs such as self-respect, dignity and personal pride. You may ask why, and my answer is because there would be entitlement by right with no stigma attached, no means test. I believe it is a Christian concern for the state to assist the people of the state, particularly some of the weaker members; for, as Abraham Lincoln stated:

> A legitimate function of government is to do for the people what needs to be done, but what they by their individual efforts cannot do quite so well.

Such a plan does not result in the loss or the control of the rights of anyone, nor does it require the sacrifice of any personal freedom. It would be fair to require the participation of all groups in our society. I would not advocate the principle of contracting out such as was done on the inception of the plan in Great Britain.

A flat rate contribution on maximum amounts of income would assure that up to that maximum—and ours might have to be slightly higher than in the United States—the earner in the higher bracket would support the program to a greater degree than the earner whose income is in the lower scale, but to compensate there would also be a graduated scale of benefits which in reality would give the minimum income group more than they could buy for the contribution they actually make, and the maximum less than they would receive on a similar basis.

My observations indicate that beyond doubt this is the general desire of the Canadian people, and I respectfully request consideration of such a program by the minister and the government.

Mr. Herridge: Would the hon. member permit a question? I was very interested in his speech, and I ask the question because of his quotation from a book. Does the hon. member know that the records of the United Kingdom House of Commons and House of Lords prove that while the Liberal and Labour members in Great Britain urged an over-all security program it was delayed for years because of the opposition of the Conservative party?

An hon. Member: Nonsense.

Miss LaMarsh: Mr. Chairman, before dealing with the one subject with which I wish to deal at length I should like to make some reference to the remarks made by the hon. member for Timmins. He suggested that, having regard to certain remarks that were made by the first speaker from my party, he could not give credence to any Liberal promises, since such promises had not been fulfilled in the past.

With reference particularly to the provisions respecting hospitalization, which were brought in by the former administration, I suggest that this was one of the most forward looking measures ever introduced. It was introduced by a Liberal majority, and it was designed to be brought into effect only when a majority of Canadians and a majority of the provinces had indicated that they were prepared to accept and pay for such a plan.

The suggestion of the hon. member for Timmins was that the plan should have been imposed from the top whether or not the people of the country were prepared for it. I simply observe that when it was introduced it was brought in by a Liberal administration with the proviso that this country is a democracy, that the majority rules, and that only at such time as there was a majority would the plan be instituted throughout the country.

Mr. Martin (Timmins): Will the hon. member permit a question?

Miss LaMarsh: I am not going to deal with all of the matters which come within the minister's purview. As has been said before, this is one of the largest spending of all federal departments. However, I wish to deal with one isolated part of the operations of the department, something which has reference not only to this department but to other departments. Therefore it will be necessary to refer to some of the things which have been done by the Department of Public Works and by the Department of Labour in particular.

I wish to deal specifically with the problems of aging in the community and the contribution which has been made so far by the federal authorities, by voluntary welfare organizations throughout the country and by the provinces. Particularly since the last war this country, in common with most of the other western nations, has been required to pay particular attention to the problems of youth. Because of the population explosion

which took place about the end of the war, because of the fact that we have had a great many young people going through the school system, we have been concerned with using our resources first to give these children public school education on a free basis and then high school education, and in many quarters there is pressure to give them university training.

Only this year we have seen strengthened legislation introduced to deal with the matter of technical training for those who have left the formal education field and require some other training. But too little has been done and too little thought has been given by the public generally to the problems of the aged on the other end of the scale. The aged are not only those who require to be in nursing homes. The aged can be almost any age. Certainly the lowest age which is usually considered to be included is 60, but when one considers related problems, the problems of portability of pensions, the problems of retraining for employment, it is shocking to find that the aged in a modern society are those 40 and over.

These people are increasing in numbers. According to the latest figures I have, which are taken from a report in the Ottawa *Citizen* of April 18 last of a meeting of the local council of women, the number of those 60 or over in 1921 constituted 7.5 per cent of our population or 660,000 people. By 1951 this had risen to 11.4 per cent or 1,592,000 Canadians, and it is projected that by 1980 the aged group of the Canadian population over 60 will constitute 12.8 per cent or more than 3,400,000 Canadians.

At one o'clock the committee took recess.

AFTER RECESS

The committee resumed at 2.30 p.m.

Miss LaMarsh: Just before the noon adjournment, I had put certain figures on the record as quoted in a copy of the Ottawa *Citizen*. Those figures came originally from a study prepared by the research statistics division of the Department of National Health and Welfare, a report of which was issued in June of 1957. Even at that time—and in the past few years the problem has become increasingly important—it was realized that the percentage of the population in Canada above 60 was creating considerably more pressure and would continue to do so. We are reaching a situation in Canada wherein, by reason of the number of years required for young people to take training, whether it be the academic type or the trades training type, it is taking so long for people to become producers in society that, when taken together with those who are forcibly, as a result of pension agreements, employer-employee agreements or the policies of governments, put out to pasture at 60 or 65, there is an increasing burden on the producers of the nation.

If we continue to treat those who are aged, in particular those who are above 60, as individuals who are no longer necessary to the mainstream of society, if we persist in putting them aside, if we persist in saying to them, you cannot stay in this place of employment because other people are coming along and because of your age you are no longer capable of contributing in this employment, then we are going to add to our problems. In addition to this we have the fact that, in the last 60 years, there has been a considerable change in the size of houses now being constructed for the young married people. The young married people are no longer able to keep their aged parents or relatives with them, so this forces the older people out of the home and breaks the family association. The elderly people are thereby cut off from the mainstream society.

Welfare agencies, either govermental or voluntary, are trying to set up recreational programs or "busy" work for the aged. It is my belief from my study of this problem, that the older citizen of Canada does not want to be treated as a special class with particular disabilities. As everyone knows, we all age at a different rate. We all cease to have our full capabilities at a different time. We say that 65 is the time when a Canadian is no longer of any use to his country, is no longer efficient. We make them feel unwanted, that they are no longer useful. It is significant that all studies indicate that there is a higher suicide rate in the group above 60 than in any age group in our nation. These figures are identical with those for the United States. No human being wants to feel he or she is not wanted by the family or the community, to feel there is no purpose in continuing to live. No person wants to be a parasite in society. Everyone wants to be an effective human being and able to contribute all they have throughout their productive period.

Yesterday the hon. member for Leeds referred to the fact that we cannot afford to have trained people in our society who are not contributing to the public welfare. I would suggest that we cannot afford to arbitrarily put people out of work at 65 and dislocate them from everything they have known. We cannot afford the waste of these

people. They have the greatest training and the greatest experience. Our philosophers have said that up to age 40 you simply gain experience and beyond 40 you apply it. The problem is one for the nation as well as for the individuals concerned.

In studying this problem, Mr. Chairman, I have written as widely as I could to welfare agencies in both Canada and the United States, and I should like to refer briefly to some of the agencies that are working on some of the problems in relation to the aged. As an indication of the increased interest which is being shown in this particular problem, I may say that in the province of Ontario, with which I am most familiar, there was set up in metropolitan Toronto a social planning council which has been meeting for the past few years dealing with the special problems of the ageing in our community. In addition, the Ontario society of the ageing has been set up and it has called conferences and established study groups. This organization has been responsible for some excellent reports dealing with the problem in Ontario. In 1957, the Ontario society for the ageing called a conference which met for a month in Toronto. A report was published entitled, "Proceedings of First Ontario Conference on Ageing". This conference was attended by individuals from government and from voluntary societies. As I have said, the study lasted for one month at the University of Toronto.

May I, Mr. Chairman, refer to some of the things which were discussed so hon. members will realize the scope of the problem. This is not just a welfare or health problem, but it goes much further than that. These are the subheadings in this report: Mental health in later years; the challenge of the ageing population; financing health services; working together; total community programs; patterns of living of older people in Ontario, and here research was undertaken; the cost of living and retirement income; nutrition for the ageing; pension plans; compulsory retirement plans; the problem of the cost of living; government programs and other sources of income; housing and living arrangements; money available for housing; types of accommodation, including boarding home care and private care; charitable institutions and their contributions; self-contained accommodation; community services; care and rehabilitation at home; friendly visiting; clubs and recreation; educational interests; church and synagogue; senior citizens' service bureau; employment, unemployment and retirement; the effect of the changing patterns of employment; work opportunities; satisfying the psychological needs in retirement; employment of older persons; pre-retirement counselling and planning; the care, treatment and rehabilitation of the ageing in hospitals and homes; long term illness in institutions; the acutely ill aged in institutions; private hospitals and nursing homes; the care of the senile aged.

Reference was made to what is being done in the United States and Great Britain. This is a magnificent report and I would commend it to the attention of all hon. members of this committee who are interested in the ageing elements in our population. As a result of this conference subcommittees were set up and after three years' study another one day workshop was set up on March 26, 1960; it was a workshop on ageing. Reports were made as to what had been done in the intervening free period and certain of the research which had been commenced was also reported on. Perhaps one of the most interesting things was of a couple of studies which had been undertaken which indicated that what was necessary in order for an individual who had retired and was living alone to live—just to exist—was between $86 and $90 a month and that for a couple retired, living alone, it would require $130 to $149 a month. This is a modest but adequate living standard and it is only for the province of Ontario. So far as I know that type of study has not been undertaken anywhere else.

In addition to the Ontario society for the ageing there has been magnificent work done by a national board and that is the committee on ageing of the Canadian welfare council of which the Hon. Muriel Fergusson of the other place has the responsibility and honour of being chairman. This agency, which is a well known one, has for the last couple of years been particularly interested in the matter of housing and there have been set up in various provinces particular agencies to deal with housing for the aged.

Most hon. members read the local press here in Ottawa and will have seen that there has been considerable pressure and a considerable number of press reports with respect to a new home for the aged in Ottawa. This is a matter which is becoming increasingly important in all communities across Canada. At one time it was considered sufficient to set up what was called an old people's home, to put there indigent people, to close the door and to forget about them. This is the same sort of thing that once happened in Eskimo societies where you sent the aged out on the ice expecting them never to come back. For too long in Canada we have sent the aged to old people's homes, closed the door, hoped that they would die and that the problem would go away.

In the most recent years we have been considering what can be done not just for

these people but with them, or what can they do for themselves. Certainly the more modern approach appears to be that we do not build an old people's home some place out in the wilds of a community away from all the interrelation of the community, but that we try to build smaller units in down town areas where they can get out, see their friends, go to the theatre and things of this kind.

Housing is only one problem and there has been considerable assistance in the past few years from the Department of Public Works. Under N.H.A. a particular brochure has been prepared called "Housing for Old People". Central Mortgage and Housing Corporation have put out this brochure. There are also a great many most interesting booklets which are of assistance to every community which has to face this problem. They include "Housing and Living Arrangements for the Aged", "Everyone Grows Old", "The Needs of the Aged", and things of this kind. They are of assistance and they indicate that some research, study and attention have been given to the problem. But this is fragmentary.

In the Department of Labour a considerable amount of work has been done as well. I have had the benefit from the Department of Labour of a considerable number of booklets indicating the extent of the work they have been doing over the past few years. They have made a study of the older worker as such. They put out in May 1960, in mimeographed form "The Problem of the Older Worker" which is a reference manual containing certain factual information and references to other works. In addition, they have prepared something of particular interest to women, namely a booklet entitled, "A New Career after 30". This is a most interesting study of women above age 30 who launched into new careers and took new training. It indicates that they are a most effective addition to the productive part of the population.

Also in the Department of Labour there has been a considerable program over the last five or six years of a study of pensions—

An hon. Member: The last four years.

Miss LaMarsh: Over the last five or six years. Many of these are dated early in 1957. On pension plan and employment of older workers an excellent report has been prepared by the Department of Labour. There was, set up, I believe, in 1953, an interdepartmental committee and there are representatives of labour, of national health and welfare, of veterans affairs, of finance and some other departments who meet to discuss the interrelated problems of ageing. This has been going on now for some eight or nine years and it is producing more and more research information. There is indeed a pamphlet which is put out called "Two Minutes of Employment Facts", pension plans for the employment of older workers. The intent of this was that it should be sent around to employers in order to encourage them to employ people above what would normally be called the pensioning off age.

There were two radio broadcasts made on the older worker problem, the scripts of which are available to the public. There is another booklet called "Speaking Out About the Older Worker Problem" also prepared by the labour department. In addition, there is an excellent study made by Professor S. A. Clark of the University of Toronto on the employability of the older worker. This is a review of his research covering a long period which was produced in October of 1959. It goes into the whole problem in Canada. There are many studies of employing, housing and caring for, in a medical way, older people in the world but not too many Canadian studies.

In addition, the department of health and welfare, since the publication of "The Ageing Worker" by the Department of Labour, has instituted research and has produced a number of pamphlets and pieces of material which have been of assistance to those interested in the problem. There is one booklet produced by this department under date of July, 1959, "Health Services for Public Assistance Recipients in Canada" with particular reference to older people and "Rehabilitation Services in Canada", part 2, which sets out the provincial and local programs available. This is under date of February, 1959.

In addition, there have been a number of private or semi-private groups most interested in the ageing. I would particularly refer hon. members to the problem which is clearly set out in the *Saturday Review* of January 28, 1961, which deals in particular with the desperate world of the senior citizen in the United States. Apart from the figures which are given there the problem is identical to that in Canada. I would commend this to all hon. members.

In addition, through its leaflet "Occupational Health Review" volume 12, No. 2, 1960, this department has put out a long and informative article on the lengthening life span which again gives evidence of the increasing numbers as well as the increasing percentages of the aged in our community. This is something which we can no longer allow to be attacked on a piecemeal basis. In the United States, as a result of the type of pressure that there has been from private agencies over the past two years, there was

held on January 9 to 12, of 1961, at Washington the first White House conference on ageing. It may be of interest to hon. members to know that there were about 2,800 voting delegates attending that conference and there were 20 Canadians there as invited observers. Papers were produced as a result of the conference which dealt with all aspects of ageing. In the field of federal-state, such as our federal-provincial programs of public assistance, surveys and studies were considered that had been undertaken by research organizations and universities without knowing that anyone else was undertaking the same type of work. This conference dealt with the increasing concern in the fields of health, rehabilitation, housing, income maintenance, and education and retraining of the aged.

The population trends on the North American continent are inescapable. Because of the triumph of medicine over those diseases which have caused our people to die at early ages we have an increasingly larger group of the ageing in our communities. It is necessary that they be treated as human beings; it is necessary that they continue to be a part of our population. Most individuals who are of retirement age do not like to be called senior citizens, aged or ageing. I think all of us would like to say that we are forever young. However, when one realizes that because of the present lack of portability of pensions even 40 year olds, or in some cases those in their thirties, fall into the classification of the aged. They cannot move from one place to another because of the lack of portability of pensions, and because of the pressures of modern living their bodies age more quickly than they did in the past and people are falling within the classifications of the ageing well below the age of 60 or 65 years.

Mr. Chairman, most of the work which has been done by various departments of this government was instituted prior to 1957, as anyone who would study these publications will readily ascertain, because one can see from the length of time devoted to the studies and the date the reports were produced that is was a Liberal administration which brought in all the social welfare legislation which is on the statute books of this country. These were the studies which were undertaken and I would venture to guess that had that administration continued in office, at this point we would have a co-ordinating agency to devote concentrated attention to this particular problem.

Hon. members will have noticed within the past few months discussions in the *Financial Post,* in the local press and the national press respecting the Canadian welfare council meeting which was held recently, where the director of the council, Mr. Kenneth Parker, pointed out in his presidential report that "better welfare is not achieved only at the cost of a higher total of public spending".

Notwithstanding the fact that these people are leaders in bringing together health workers and social workers in a community, they said that the total cost of Canada's public health and welfare programs, in the vicinity of $3 billion including taxes and private donations from volunteer agencies, was not enough; that it was necessary for a searching study to be made in Canada of the whole approach of social welfare measures, and particularly of those involving the aging. There was an editorial to this effect, which hon. members may have seen, in the Ottawa *Citizen* of June 1, 1961.

In March of this year the *Financial Post* undertook a thorough study of whether or not in Canada we are receiving enough for our welfare dollar. It was indicated that 11.4 per cent of our national income is devoted to welfare payments and that this is steadily increasing each year, but that there is a considerable amount of duplication in private and government agencies. Reference was also made in the *Financial Post* of February 18, 1961 to a tremendous new study which has been undertaken in the province of Ontario under the provincial department of labour. This is a study of Canadians over the age of 45 years in which from 1958, 2,000 men in the province are being studied until they reach age 65. This is perhaps the first such study undertaken anywhere in a western democracy. This study will provide invaluable information, but the information will only be relevant to the province of Ontario. It is not sufficient, I would suggest, to leave this to the provincial departments, because it is a national problem.

There is no question that, like education, the administration of assistance to the ageing can best be done on a local level and on a level in which they themselves can actively participate. I would suggest that, following the report of the 20 observers who attended the White House conference on the ageing, following the report of the Canadian welfare council, a massing together of the information which has been brought together in the various departments of government and the interdepartmental committee, from private welfare agencies, and from provincial departments, now is the time for this department to take a bold step and to call a national conference on the ageing in which there will be participation not only by federal-provincial departments, not only by those whose whole responsibility is to assist in the problems of the ageing, but also by all volunteer agencies. The Canadian Red Cross has been active for years in matters

respecting the ageing, and the Canadian welfare council, as I said before, has a particularly active group set up to deal principally with the problems of the ageing.

Mr. Chairman, may I in closing refer to an article which appeared in the February 1961 issue of the magazine *Health*, published for the Canadian family by the Health League of Canada. The article is by Dr. Edward L. Bortz and is entitled:

Breaking those "ageing" barriers.

On page 19 of the magazine he writes:

Then another problem, perhaps the greatest problem facing society today, appears, namely, what to do with all the old folk. Surely we do not want a majority of our population to be tottery, senile, vegetating parasites. Would it not seem that experience and maturity that come as we grow older should have some social usefulness that we have not yet identified? Too often we invite premature decay by withdrawing from the active stream of social usefulness and sit on the sidelines. The zest and joy of living are likely to be lost if one withdraws from productive living. One becomes a consumer instead of a producer, and the world already has too many consumers. The yardstick of social value, so far as the individual is concerned, is just that easy to apply.

It is necessary, then, Mr. Chairman, for the good not only of those involved, those who are ageing, but for the good of our country nationally that we now bring together the information which has been obtained at all levels and undertake research and study in order that those in our community who have the greatest experience, the greatest judgment, shall be able to continue to contribute to the mainstream of our community life.

Mr. Weichel: Mr. Chairman, before presenting my remarks may I extend my congratulations to the minister, who I understand is celebrating his birthday today. It is not very often that a minister has the privilege of celebrating his birthday and also presenting his estimates on the same day. I am sure we all wish him well in his future health and welfare. May I say to the minister:

Count not your age by years you live
But by the happiness you give,
The friends you make, the good you do,
The confidence that's placed in you,
The little things that day by day,
Bring cheer to others on life's way,
And count this day one more mile,
Upon the road to God and things worth while.

I appreciate the opportunity of speaking briefly on the estimates of the Department of National Health and Welfare. This department, under the energetic supervision of the minister and his staff, is no doubt one of the most important in the administration of our country's affairs, and the fine advances made in social justice are proof of the competent work being done by all those concerned.

I understand that assistance to every category of social justice—old age security, old age assistance, blind and disability allowance, unemployment assistance, not too well known to some Canadians, hospital insurance and health grants—has been substantially increased. Perhaps one of the most beneficial improvements was the lowering from 20 to 10 years of the residence requirement in regard to old age pensions. As we know, recipients are now permitted to take their pension with them when leaving Canada on a permanent basis. Senior citizens living outside of Canada, and those contemplating doing so, are very appreciative of this legislation. Many of these recipients living in Canada, happy and satisfied with conditions here, are obliged to leave our country for health reasons or because of family ties and uncontrollable circumstances.

Mr. Chairman, about a year ago I spoke in this house in favour of the new federal plans concerning emergency measures and civil defence. At this time I should like to add that the progress and development that have taken place since that time have justified the optimism I expressed then as to the workability of the new plan. It has been brought to my attention that the Department of National Health and Welfare has assumed two important responsibilities; first, the arrangements for the maintenance of public health and welfare in case of disaster. This is in accordance with government planning for wartime emergency. Two departmental divisions, the emergency health division and the emergency welfare services division, are continuously planning and preparing for this task. The emergency health services staffed by experts in the health field have in operation an $18 million medical stockpiling program. This supplies to the purchasing, packaging and distribution and storage depots across Canada, tremendous amounts of first aid supplies, medicines, drugs and surgical equipment. These depots along with hospital facilities play a big part in wartime as well as in peacetime emergencies.

Another important move has been that hospital medical resources are being reinforced by the issue of nearly 3,000 kits each containing supplies that would be in heavy demand in the establishment of a readily transportable 200-bed improvised hospital in a school, town hall or other public or industrial building. A very important part of this set-up includes special conferences for the medical profession including dentists, pharmacists and nurses, which are held regularly at the Canada civil defence college at Arnprior.

The department's emergency welfare services division is playing a big part in working out arrangements for their five main areas

of responsibility for survival. These responsibilities include emergency feeding, emergency clothing, emergency lodging, registration, answering inquiries and rendering personal services. Much of the welfare services work, I am informed, is related to the day by day activities and specialized fields. As an example, I believe many social welfare workers may be counted on in time of disaster to assist and staff the many hundreds of welfare reception centres which would exist across the country to take care of the homeless population.

In Waterloo county and surrounding district, at such places as Kitchener, Waterloo, Preston, Galt, Stratford, Guelph and others, reception centres can be set up to look after the population of such centres as Toronto and Hamilton, and other larger cities. Social workers could include former veterans of the army, navy and air force, thousands of whom reside in this district.

Much can be said of the development of equipment for mass care which would include an emergency mobile feeding unit capable of feeding 100 people per hour on a 24 hour basis.

The minister, his department and the government which in peacetime, as hon. members know, are continuously engaged in the betterment of the health and welfare of the people of Canada are to be commended for the preparations made to continue their specialized services during wartime emergency if they are ever called upon to do so.

Provincial governments and our federal government have made many fine contributions in grants to hospitals across Canada. In Waterloo North we are indeed fortunate to have two splendid hospitals. The Kitchener-Waterloo hospital which has 320 beds, plus 110 for chronic cases, is at present filled to 85 per cent capacity, which would mean about 385 cases. This hospital has a waiting list of 180 surgical patients and 35 medical patients.

The St. Mary's hospital in its present building has a capacity of 112 beds but, by crowding people into the hallways and former closets, they have at present 155 patients and have on occasion accommodated as many as 165 persons. Some time ago a drive was held to raise funds for new buildings. Because of the kindness of many public spirited citizens and the splendid grants by the Ontario and federal governments, this drive was exceptionally successful. Much credit is due Colonel Heasley, chairman, and his committee. New buildings for this hospital are now being erected and will be completed sometime before December 31 of this year. These additions will mean an increase of 465 beds, cribs and bassinets for this outstanding hospital.

Other places receiving government assistance are Huronia hall for the blind—so badly needed—Sunnyside home for the aged, where 170 citizens are accommodated, elderly persons' homes sponsored by the Canadian Legion, and the home for senior citizens as well as other smaller homes throughout the country. All these are providing excellent services for our elderly persons, and for the blind, sick, depressed and disabled.

In closing, may I say that this government has always been anxious to provide medical care, financial assistance and other comforts to individuals who because of age, disability, unemployment, or for other reasons otherwise would not be able to enjoy a reasonable share of the good things of life.

Mr. Chairman, may I suggest that we give further consideration to those of our citizens reaching the retiring age of 65 years. These folk in many cases have not had the opportunity of providing for the future through superannuation or pension plans. Many of them are on the unemployment list or were unable to have their retirement postponed and, therefore, are in financial difficulty at an age when they should be able to have some security other than just owning their own homes and a few belongings. It is a recognized fact that these citizens have played a prominent part in developing the economy of our country.

Our Minister of National Health and Welfare understands the problems confronting his department and the following remarks he made show the great interest and confidence he has in the future of our great country. I quote his words and suggest that they are appropriate on his birthday:

> Canada's health and welfare balance sheet is encouraging. Certainly it is a good deal brighter today than it was several years ago. We still have important liabilities but the over-all balance is clearly set toward a fuller measure of social justice for every Canadian. Our aim must be to keep it tipping more and more in that direction.

Thank you Mr. Chairman.

(Translation):

Mr. Deschatelets: Mr. Chairman, I should like to take advantage of our discussion of the Department of National Health and Welfare estimates to deal with a subject very close to my heart, the matter of improving the lot of the epileptics with regard to medical care, research and the relation of this disease to everyday life.

Of all diseases affecting human beings, none has been less understood than epilepsy. In fact, people still have all sorts of antiquated notions about it, even though medical science

offers good hopes of recovery, because it is a known fact that nowadays 50 per cent of cases can be successfully treated.

The purpose of my remarks today is to help put an end to those antiquated ideas about epilepsy and to that lack of understanding which amounts to a lack of charity. I do not know whether we have very accurate statistics on the number of such cases, but I am informed from a reliable source that there are 10,500 epileptics in the Montreal area, 40,000 in the province of Quebec and around 145,000 in Canada.

People who suffer from that disease must fight on two fronts: first, the disease itself and, then, society whose lack of understanding gives rise to all kinds of complexes among epileptics, society which does not give these people the moral and economic support they need to put up an efficient fight under normal conditions.

It is said that the term "epilepsy" derives from a Greek word meaning "seizure"; apparently, that disease goes back to the remotest history of mankind. It seems that those seizures or fits, which vary in seriousness and frequency from one individual to another, are brought about by some irritation of the brain the causes of which are mostly unknown to this day. Epilepsy is not an hereditary disease as such, since it is said that only one epileptic out of every 50 has an epileptic child. In some cases, an operation is necessary but in most cases drugs are the recommended treatment. As I said, the purpose of these remarks is to get both the government and the public to show more understanding for the plight of epileptics and take positive steps to help them.

May I suggest three types of measures already within our reach. First, in the research field, I think we should promote and speed up medical research in order to develop the most appropriate drugs for this disease. We should keep abreast of developments in medical research, not only in the western countries but also in the countries behind the iron curtain, because in the field of research there is no such thing as frontiers. The officials in the Department of National Health and Welfare should be given every facility to take an active part in any medical conference, anywhere through the world, in order to be always on the watch for any new treatment.

I would be very much in favour of the federal and provincial governments joining in a construction program for various research centres in Canada's major cities, where thousands of epileptics could be admitted, so that we could give them the appropriate care and promote their rehabilitation to a normal life, without their having to depend on anyone.

As a second step, I would suggest that epileptic children of school age attend regular schools.

At this point I must say something which is probably not known to any hon. member. If a six, seven or eight year old child, is registered in a school in the province of Quebec and the school authorities notice that he or she suffers from epilepsy, this child is sent home. Epileptics are not getting any education, whereas they need the benefit of education more than others. Such conditions are unwarranted, indeed. Experience has shown that most epileptics who have had a chance of getting some education, and more particularly those whose parents were able to afford private tuition—and this is the only way they can be educated—have always got on in the struggle for life, and never became a burden for the state.

If the only result of my remarks were to rouse the public conscience with regard to that extraordinary fact that epileptic children have no possibility of education, that they are not admitted in our schools, I think I shall not have wasted my time in drawing public attention to a problem for which an eventual solution may be found.

I have a third suggestion to submit. It deals with the adult epileptic, who had no chance of getting an education. How can such an individual, who, in spite of his illness, is able to take on a responsible job in many fields have a chance of being employed? Unfortunately, we are living in a callous society, which is often lacking in charity. I must say that we are not very progressive in this field, as I am informed that in Great Britain for instance, there are laws providing that in large companies, 2 or 3 per cent of the labour force must be made up of handicapped people such as epileptics. I wonder why we could not do the same thing here. If we want industry to do its share, if we want our industries to give epileptics an opportunity to work, it is only fair that the state should set the example.

I was saying a moment ago that generally speaking our society is callous. However, Canadians are also very generous people, and when face squarely with a problem of this kind, I am sure they will respond and give jobs to those handicapped, who seek nothing more.

Moreover, if the government were to set aside 1 or 2 per cent of the jobs available in the federal civil service for those people, this would provide employment for 300 to 400 of

them. We must not forget that nothing prevents an epileptic from marrying and raising a family.

I also stated a moment ago that this disease is not hereditary. I hope the minister will give special consideration to this suggestion and will be able to prevail upon the government to lead the way in this field.

In closing, may I say a few words about two organizations which have been showing great devotion in the care of those sick people. I refer particularly to the Dieppe home, at St. Hilaire, an establishment devoted to the treatment and rehabilitation of male epileptics. Unfortunately, when those people are released from the Dieppe home, there are no jobs available to them, despite the fact that they are able to work.

Moreover, there is no institution to take care of women thus afflicted. They have to depend upon public charity or their relatives. So far, the government has not taken any real step to assist that rather large number of our fellow citizens.

I was saying a moment ago that we have in Canada 145,000 epileptics who expect us to come to their assistance. They are not asking for favours, but only the support they are entitled to. All they want is to be able to play a productive part in our society.

I hope that the minister will give serious consideration to my suggestions.

(Text):

Mr. McLennan: Mr. Chairman, may I first congratulate the minister and the government for the many good pieces of legislation they have brought forward in the interests of the health and welfare of the Canadian people. In my constituency alone there are over 10,000 old age pensioners, many of whom have come from other parts of the nation, especially the prairie provinces, to live in the banana belt of Canada. In many instances these are people who pioneered western Canada and who have made Canada the great nation it is today.

An hon. Member: From Bruce county?

Mr. McLennan: Yes, there are some from Bruce county. All have contributed a good deal in their own way to the development of this country but some, through misadventure or misfortune, find themselves in a pretty hopeless position in the sunset years of their lives. May I ask the minister to give serious and sympathetic consideration to providing some relief by increasing the social assistance to those of our senior citizens who can qualify for additional help under the means test. I know that the minister and his officials are giving careful and serious study and consideration to the Clark report on contributory pensions. I believe that the introduction of legislation setting up a system of contributory old age pensions and a social security program would be among the most beneficial and popular health and welfare legislation ever introduced in this country. I should also like to thank the minister, his executive assistant and his officials for the friendly and courteous reception they have given me as a private member and for the help they have given me with respect to many problems concerning my constituents.

Mr. Wratten: Mr. Chairman, I believe the Department of National Health and Welfare is one department that touches practically every home and every individual in the country in some way, shape or form during their lifetime, and today I want to extend the thanks of the citizens of Brantford for the very generous help we have had in building two new hospitals. We are fortunate that we have two practically brand new hospitals, one operated by the sisters of St. Joseph who do a very excellent job and operate the hospital most efficiently, and the other our own Brantford General hospital, a 500 bed hospital. Incidentally, I happen to have the honour of being a member of the board of governors of this big institution.

One point that I want to bring before the government today has to do with the building of nurses' homes and nurses' training schools. We are in the process now of trying to draw up plans and raise the money to build a new nurses' home and a new nurses' training school. This is a big problem because in a large hospital such as ours we need from 60 to 75 girls going into training for nursing every year. This means that we have to have a building to look after at least 225 girls because we must have enough beds for the trainees and also for those engaged in supervisory duties.

This is a big responsibility for the municipality. Because of the way hospital grants are now made and because of the fact that people coming under the Ontario hospital plan can enter any hospital, when the municipality is called upon to construct these large buildings in order to maintain these hospitals it puts a terrific burden on the taxpayer who is already suffering a good deal from high taxes in municipalities throughout the country.

Some time ago when the government extended to 75 per cent the subsidy to vocational training schools in order to help to train the male population of our country, I asked myself why a subsidy of the same proportions was not also extended to training schools for nurses. After all, if we do not train nurses we will not have the necessary staff for our hospitals. New hospitals with

plenty of beds are of little value unless we have efficient nurses and can get girls to enter training as nurses in order to staff these hospitals.

This is a problem that every hospital faces right throughout Ontario and I suppose right throughout the country. We have brought nurses from overseas but they did not stay too long. While they helped to tide us over a period when we were very short of trained nurses, we have to rely on the nurses we can train in our own hospitals to maintain them and to look after the patients there. The building we now have for a nurses' home is not adequate by any means. The fire department would like to condemn it and not have it used at all but we must continue to use it until such time as we can construct a new building.

Other hospitals have a slight advantage over us when they can show prospective trainees a new nurses' home and an excellent training school. We have very excellent teachers in our hospital and that counteracts to some extent the difficulty we are having. Not too long ago the government saw fit to help parents with children going to university and if parents of university children can be helped in some way I certainly think that parents with daughters training for nurses should also be given some assistance. As you know, the trainees receive practically no remuneration for the first two years of their training, and I think their parents certainly should be given some consideration so far as income tax is concerned in order to help keep the girls we have and induce girls to train as nurses.

We have heard a good deal today from various hon. members about our old people, our senior citizens. I hope that before too long we will be able to increase the assistance to our older people. I am happy that I was a supporter of the government in 1957 when it raised the old age assistance pension to a level that enabled these people to at least live in some degree of comfort rather than only exist as had been the case before. When we hear about social legislation being brought in, it is important to remember that it is of little or no use unless it is made good enough so that people have to live on and are not existing from hand to mouth and having to go to welfare agencies in order to get enough to sustain themselves. The people who are now reaching the age when they will receive old age pensions are people who went through the last depression. As one who is old enough to have had that experience, I can say that I know what it was to go through the thirties. These people lost everything through no fault of their own. Then the war came and the depression ended—that was the only thing that did end it. When the economy slowed down again, these people were the first to be laid off because they were in the age categories which the factories wanted to eliminate in terms of employment. These are the people who need this extra assistance in order to get the necessities of life. In a country such as ours, these older people should not have to go to welfare agencies with their hat in their hands to ask for enough in order to live.

Another point I should like to bring to the attention of the minister concerns pensions for the blind. We in Brantford have the problems of the blind brought to our attention more forcibly than other people because we have the Ontario school for the blind in our city. Pupils come from all over Canada. When one visits this school, one is amazed to see how these youngsters are trained to participate in all types of sports as well as the different vocations for which they are suited in order to enable them to earn a livelihood. However, there are always some who cannot be trained, and some senior adults who need extra help. I would commend to the minister the brief presented by the Canadian institute for the blind and urge him to give help to the older blind people. It is a most heart-rending sight to see a person who has lost his sight late in life because he finds great difficulty becoming accustomed to a new way of life.

We have a man in Brantford who looks after the needs of the blind. He is blind himself. I refer to Mr. Ian Grills. He does an amazing job in finding occupations for these older people and helping them work out a new way of life. He certainly should be commended for the excellent work he has done.

We are fortunate also to have in Brantford a building which is only five or six years old, and to which we are adding two new wings. This building is called the John Noble home. Hon. members should visit this home to see how we take care of the people who need some medical attention but do not require hospitalization. This home is run in conjunction with the old people's home, as it used to be called. We now have room for aged couples who can live the last few years of their lives together in good surroundings. I had the honour of being the chairman of the organization in control of this building two years after it was constructed. One of the most heart-rending sights I ever saw was an old couple who came to that home and whom we had to separate because we did not have room to put them together. The old lady was a pathetic figure as she sat in the rotunda of the building. They had been married for some 50 years, yet this would be the first night on which they had

been separated from one another in all that time. One of the reasons this project was undertaken to increase the size of the John Noble home was to enable elderly couples to live together during their declining years.

There is just one more matter that I should like to bring to the attention of the minister. I see that we make grants to some very worth-while organizations. I should like to call the minister's attention to an organization that is trying to eliminate leprosy, not only in Canada but throughout the world. There is a lady in Brantford by the name of Miss LeRoy who has dedicated her life to this end. I do not want to take the time of the committee this afternoon to indicate the small sum of money necessary to cure a case of leprosy. Fortunately, we do not have too many cases in Canada, but there are a great many cases throughout the world which could be cured at a small cost. I would ask the minister, in future, to include a grant for this organization in order to help these people who have dedicated their lives to the elimination of leprosy throughout the world.

Mr. Herridge: Mr. Chairman, I wish to make a few brief remarks concerning these estimates. This is a very important department for two reasons: First, because of its responsibilities to a very large number of Canadians directly and, second, because it involves the expenditure of over $96 million.

Before proceeding, Mr. Chairman, I must say that there are certain advantages in occupying a seat in this corner of the chamber, in addition to being close to the Speaker. For many years I sat at the other end of the chamber and I did not have the opportunity of looking at the most attractive section of the senior officials in front of the minister. I welcome the opportunity of viewing them from this angle and it will give me some incentive in dealing with these estimates. I want to thank the minister and his senior officials for their prompt attention to any question of mine in respect of administrative matters and regulations. I wish to thank the officials in Vancouver, too, because being a member from British Columbia I have a closer relationship with them.

As I have said, this is a very important department with regard to the welfare of the Canadian people. In view of this country's great natural resources and the profits made even in the last year by great corporations, to suggest that we as a nation cannot afford to accept our responsibilities for the health and welfare services provided to our people is to suggest that we are not doing our duty in this house. One hon. member who spoke this morning—I just forget the constituency he represents—made a very interesting speech.

[Mr. Wratten.]

I thought his speech indicated his interest in this general problem of health and welfare. He quoted from a book which would indicate that the Conservatives were the first to legislate in the field of old age pensions in Great Britain.

Mr. Chambers: Hear, hear.

Mr. Herridge: The parliamentary secretary to the Minister of National Defence says, "Hear, hear". I am afraid his enthusiasm has outrun his knowledge. Let me say this. I happened to mention that they did pass some considerable body of legislation after it was advocated for many years by the Liberals and the Labour party in Great Britain. The credit for the first old age security or pension legislation must go, without a doubt, to the Liberal party in Great Britain. I have a volume of United Kingdom *Hansard* on my desk because I just wondered if my memory was slipping by reason of increasing age. Here I find a speech by a member of the Conservative party in which he says frankly they must give credit to the Liberal government, which was the government of Campbell Bannerman's day, and later, for the introduction of the old age pension legislation. I thought I would mention that because I think it is wise for us to keep our facts straight. I give the Conservatives of Great Britain great credit for allowing themselves to be influenced by the members of the Liberal and Labour parties of the day. I give Winston Churchill, the former prime minister of Great Britain, great credit because of his natural common sense. But let us not forget this fact. When former prime minister Winston Churchill first advocated old age pensions he was a member of the Liberal party in Great Britain. But later on,—he was a very common sense prime minister—he saw the need for this provision and his government moved forward in that direction.

Generally speaking we in this country are far behind Great Britain and European countries with respect to over-all social welfare legislation. I suppose it comes from our more recent pioneer circumstances in the first instance and second because we are not a unitary state. I admit that it is much more difficult to develop an over-all security program in a country such as Canada in which there is a federal government and ten provincial governments that have to be considered and their wishes with respect to policy, administration and finance, shall I say, obtained and agreement reached.

In this country there is a need, as there has been for years, for an over-all security program. If there is any question about the need for it and about the thinking in this

direction, I just wish to refer to a very interesting conversation with the former chancellor of the exchequer, Mr. Butler. I was ribbing him a bit. It was shortly after the Conservative government came into power in 1951. I said to him, "Mr. Butler, in view of the history of your party since 1895 with respect to over-all security programs, what are you going to do now that you are in power?" Do you know what he said to me? He said, "An over-all security program is a necessity in the modern age. It is demanded by the British people. It is serving a great purpose. It meets a great need so far as the British people are concerned. As far as our government is concerned I will tell you this. Our policy as a Conservative government is to continue to improve the revolution." That is because there is a great change in thinking as a result of changing circumstances. There is the advocacy of these things for almost a generation when they were unpopular but finally the will of the people prevails and governments in a democracy are obliged to reflect that will.

While an over-all security program is necessary, the foundations must be laid by the state, shall I say, so there is a minimum security with respect to health, employment, old age and so on. I do not overlook the necessity under the best arrangements for a continued operation of private agencies. In my opinion there will always be a place for compassion and personal responsibility and efforts in this respect. Regardless of the type of society we have, we must have an opportunity for those sentiments to find expression through organized groups and through the efforts of individuals as further supplements to anything that the state can do.

What about the need in this country? I was just looking at this copy of *Canadian Welfare* magazine which is published monthly. I think it is the latest edition. In this magazine there is a very interesting article written by Mr. E. F. Watson and entitled "How Much is Enough in Social Assistance". I wish to quote one paragraph in order to indicate the circumstances that exist in Canada. I am not quoting this material on a partisan basis but rather to indicate the opinion of a very experienced person in this field. The first paragraph of this article reads as follows:

> Hunger and grinding poverty continue to exist for too many people in Canadian communities today. In 1961 there are still men, women and children who are not getting enough to eat, who are living in appalling housing and who lack sufficient clothing to keep them warm. Unprecedented national productivity, rising wage levels and vastly increased social welfare expenditures have left this segment of the population in an economic and social backwash.

I think that is quite true and that it is one of the anomalies of our present civilization.

Before going on to say a few words about an over-all security program I wish to refer to the annual report of the executive director of the Canadian welfare council with regard to the part that is still played by private agencies. I mention this matter because I am a great believer in individuals accepting some responsibility within the field of their circumstances and so on. I read in this report an interesting paragraph:

> Another thing we observe as we look around is the vigorous growth everywhere evident in the voluntary welfare field. Throughout the whole country many forms of health service, child and family welfare, recreation programs, programs for delinquent youth and the aftercare of adult offenders, housing for the aged and a large variety of other facilities and services continue to be provided largely under private auspices, although in a number of instances with financial subsidies from public funds.
>
> A notable feature of the private welfare movement in Canada during recent years, and one of the secrets of its present strength, is the development of federated financing through community funds. Today there are 107 such funds across the country as contrasted with 54 just a decade ago. During the same period the Canadian per capita contribution to community funds has increased by 50 per cent to well over $3, the number of agencies receiving support has more than doubled to around 1,800 and the total money raised, now approaching thirty million dollars annually, has nearly tripled. This growth during the 50's is by any standard impressive, and greatly exceeds that of the entire earlier period back to 1917 when the first Canadian federation was established in Montreal.

I will tell you what I think that indicates. I think it indicates that when governments take a lead and give effect to policies, as the federal government has done in certain fields in the administration of this department, it is a spur to action on the part of private organizations and agencies and even to individuals. I say again that whatever the state does—and the state must accept its full responsibility—there is a great deal of scope for compassion exercised through private agencies and through the activities of individuals.

In 1958 the Canadian welfare council adopted a policy statement for social security for Canada. I wish to refer to it briefly because it is still up to date. This statement was the result of a considerable study by very well informed and experienced persons in this field, and I understand that these recommendations were presented to the federal government at that time. What do they say here? I am going to quote just some of them. While there are some things that we could not agree with entirely, possibly where they do not go far enough in some instances, I think the general outlook is excellent and progressive.

An hon. Member: Oh, oh.

Mr. Herridge: Mr. Chairman, I heard a sort of bellow over to my left. I did not know whether it was complimentary or otherwise. Oh, I understand. I had thought the hon. gentleman was going to rise in order to make some comment on what I was saying. It is the pipe line section of the chamber. I read as follows:

Recommendation 1:

The present universal flat rate pension commencing at age 70 should be retained.

That is in view of the proposal being put forward for an over-all security program. I think that is quite correct, and we believe that is correct until it is replaced by some over-all security plan which provides for something better.

Recommendation 2:

Consideration should be given to arrangements which would enable certain classes of people in the 65-69 age group to qualify for the old age security pension.

I have received a number of letters on that question and a number of instances have been brought to my attention which indicate that the government should give immediate consideration to that recommendation because of the circumstances in which people between 65 and 69 years of age find themselves at the present time. I continue:

Recommendation 3:

Provision should be made for a continuing review and periodic consideration of adjustment in the amount of the universal flat rate pension on the basis of adequate statistical data relating to such important factors as minimum needs and levels of expenditure of older people.

I am sure all hon. members of the committee have during recent months received letters from organizations representing old age security recipients and old age pensioners' organizations urging reconsideration and adjustment of the present basic rate of pension because of the increase in the cost of living since the pension was raised in 1957. We have given consideration, and properly so, to disability war pensioners; we have given consideration to recipients of war veterans allowance, and I think it is now appropriate for us to recognize the needs of those on old age security and old age assistance.

Recommendation 4:

Financial assistance should be made available by the provinces to all persons 65 and over who are in need, with federal sharing of benefit costs.

This recommendation encompasses assistance to two groups of persons in particular, recipients of the universal old age security pension who are in need, and persons 65 to 69 years of age who are in need. I know this is not as simple a problem as appears on the surface, but I trust that in the very near future we will hear of a conference being called among the federal government, provincial governments and private agencies to discuss the problem faced today by the aged in Canada. At this stage I wish to compliment the hon. member for Niagara Falls on what I thought was a very logical speech. It showed good preparation coupled with, as usual, excellent presentation. I continue:

Recommendation 5:

A joint parliamentary committee should be established to study the question of contributory wage-related old age benefits in addition to the universal pension and to make recommendations to parliament.

When the minister replies to the various questions raised on item No. 1 I hope he will inform the committee whether the government has given consideration to that recommendation. I continue:

Recommendation 6:

Whether or not a compulsory contributory old age pension program is developed, the dominion government should lay down appropriate standards for private pension plans in connection with which income tax deductions are granted.

At this stage I certainly want to support the remarks of the hon. member for Timmins, who urged the government to make provision, in co-operation with the provinces, for a national portable or transferable pension scheme which would cover all persons in Canada. There is responsibility on the federal government because this question is directly related to exemptions from income tax and the action of the federal government will largely determine the benefits and the type of legislation which will be put into operation by the provinces. The leadership in this field must come from the federal government if the provinces are going to provide any satisfactory type of transferable or portable pension. The next recommendation reads as follows:

Recommendation 7:

There should be a federal public assistance act which would be, in effect, an extension of the Unemployment Assistance Act—

Then it spells out the details. I do think there is great need for further consideration of that problem in view of the present liabilities and costs thrown upon municipalities. That is a rather involved and complicated question, and I certainly support the recommendation of the council. Recommendation No. 8 reads:

The operation of all public assistance programs should be based upon sound and clearly defined standards, particularly with respect to:

a. Amount of assistance.

i. A definition of what constitutes a minimum level of health and decency.

ii. A schedule of minimum requrements based upon this definition, and related to the age and size of the family unit.

iii. The periodic translation of minimum requirements into monetary terms, appropriate to the specific community, which would form the basis of public assistance payments.

I think that is very necessary indeed. I have read statistical tables dealing with the minimum requirements, for example in Toronto and in some other places in Canada. No standard has been set which can be taken as a yardstick across this country as to what minimum requirements are necessary.

In connection with unemployment insurance the council makes several recommendations, but as those do not come under this department I shall not mention them. The council concludes with a recommendation for intergovernmental co-operation and administrative standards. I think that is very necessary indeed. There is a great diversity of standards between the federal government and the provinces with respect to administrative practices and, shall I say, uniformity of administration and procedure.

I think something could be done in this connection along the lines of the uniformity of legislation committee which meets once every year. I understand the Solicitor General, the Minister of Justice and the attorneys general of the provinces, or their representatives, meet once a year in order to maintain uniformity of legislation. I think this could be the basis of an excellent study. I think this is the sort of problem to which the other place, having more leisure and freed from day to day, shall I say, partisan strife and things of that sort, could devote some attention after the fashion of their present land use study and the excellent study that has been made with respect to manpower and employment.

This is the type of study that takes time in order to assimilate the information with respect to procedures in other countries and Canada and, on the basis of that information, devise a standard of administration and procedure which is accepted from the Atlantic to the Pacific and will provide greater efficiency, lower costs in relation to the units served and therefore more service to the Canadian people from the tax money expended. Recommendation 19 reads as follows:

The dominion government should make funds available for demonstration and research projects, in the causes and prevention of dependency, social and economic rehabilitation, and similar problems.

That was mentioned, Mr. Chairman, by previous speakers and it has validity. This would take some time, possibly years, to accomplish but it should be given consideration. Recommendation No. 20:

Machinery should be devised to ensure regular communication among provinces, and between provinces and the dominion government, on all welfare matters of common interest.

I do not know whether there have been any changes in the channels of communication since these recommendations were presented to the government, but I presume that as years go by they are improving. I remember that when the old age pensions act was first introduced, I think it was in 1926, dealing with the problem in British Columbia, in conversation with officials we were faced with the atmosphere—this is the impression I obtained—dealing at arms length, as it were, with the senior government. However, I think that situation has greatly improved over the years. Recommendation No. 21 provides:

The dominion government should establish a broadly representative body of competent persons, the purpose of which would be to keep under constant review all aspects of Canada's social security program and to advise on changes and improvements that may from time to time be desirable.

That is in general terms a very worth-while recommendation. I am not sure just how it can be given effect, but possibly it could be accomplished by including it on the agenda of the type of conference mentioned by the hon. member for Niagara Falls. I think it should be given serious consideration.

The final recommendation is:

The dominion government should appoint a royal commission to study all aspects of social security for which it has a direct or indirect responsibility and more particularly to make recommendations with respect to—

The present royal commission I understand will not be as comprehensive as that provided for in the recommendation of the council.

We are living in a changing society in which we are depending more upon industry than agriculture. This creates many problems which did not exist 40 or 50 years ago. We cannot remain stagnant. First of all we must try to catch up with those who are ahead of us in the United Kingdom and Europe, but we have some way to go before accomplishing that.

I am not suggesting for one moment that these problems are to be solved easily or overnight, but I think the recommendations of the council should be seriously considered by the government and by the members of this committee because they come from a body with a long history of experience in this field.

I know the minister has great respect for the work being done in Canada at this time by similar agencies on national and provincial levels, but we in this group have the feeling that we have not, to date, laid the broad foundations upon which to build the very necessary and comprehensive over-all social security program which Canadian people need and which Canada can well afford.

A few minutes ago I was looking at the report in respect to the problem of social security for aged people in United States and Canada submitted by Dr. Robert M. Clark, which was tabled in the house on March 5, 1959. So far that report has been apparently a matter of academic interest, as far as the government is concerned. Possibly the minister can give us further information as to what the government intends to do in respect to those proposals which can be related to the information contained in this report. I suggest this report indicates how slowly we are moving in this field.

As years go by the need increases, but the government has not, from our point of view, laid the broad foundations necessary to erect the structure of over-all security. Leadership must come from the federal government in this field first of all, although there is a great deal of work done by provincial governments and private agencies, because it is the central government and has the facilities as well as the opportunity of providing the financial assistance required. That leadership must be followed by co-operation between this government and the provincial governments. They must first reach an agreement on the basis of an over-all security program. There are some very good portions of this in effect now, but agreement must be reached in respect to the financing of this program, as well as agreement regarding its administration.

I am confident that if the Canadian people were presented with such a program and told of the cost they would accept it. We do not get something for nothing, but only that which we are willing to pay for, whether it is from corporations or individuals, because two and two make four under a capitalist or socialist administration. I am sure that if the government laid the groundwork for an over-all security program and presented it to the provinces and the people, informing them of its cost and the taxation necessary to carry it forward, it would be acceptable. We in this group do not suggest that we can get something for nothing, but I am sure Canadians would welcome such a forward step which should have been taken years ago.

Mr. Woolliams: Mr. Chairman, I wonder whether the hon. member would permit a question now. I did not wish to interrupt him while he was speaking.

Mr. Herridge: Certainly, and I shall answer if I am able to.

Mr. Woolliams: I have listened with a great deal of interest to what the hon. gentleman had to say, and I take it from his remarks that he wishes to extend the benefits of welfare. My question is, does he believe that if we extend these benefits we can do so without increasing taxes of all kinds, including income tax, levied on the entrepreneurs or employees of this country?

Mr. Herridge: Mr. Chairman, I do not for a minute suggest that we can provide these extra services without collecting more revenues. However, we in this group maintain that we can collect that extra revenue without any difficulty from the corporations and private individuals who have the capacity to pay.

Mr. Rynard: Mr. Chairman, I should first like to wish the minister a happy birthday. I am sure he can hear me although he has just left his seat. I hope he will have many more as minister of this department. I should also like to congratulate him for the splendid job he has done as well as for the capable and efficient manner in which he is administering his department.

Perhaps I might just mention a few of the things which were badly needed that he has provided. They are; the doubling of grants in respect to hospital beds, the implementation of hospital insurance as well as the various other building grants to hospitals for internes' quarters, nurses' residences, and so forth. Those are only a very few of the legislative measures which have been brought forward since this minister took charge of this department.

I am sure that I do not need to remind him that he also heads the department which spends 22 cents of every dollar that is spent by this government, and in that regard is second only to the Department of National Defence which spends 26 cents of each dollar spent. I am sure that if we look ahead we will find it is only a matter of years until the Department of National Health and Welfare becomes the largest spending department in the federal government.

As one looks ahead and realizes that more and more hospital beds will be required as the span of life is increased one will understand that special emphasis must be placed on the provision of hospital accommodation for elderly people who are chronically ill. Surely those individuals will not require the expensive equipment and buildings necessary for the treatment of active and acutely ill patients for whom we must construct hospitals at a cost of $12,000 to $15,000 per bed. I suggest accommodation could be built for the chronically ill at approximately half that cost.

It is my contention that chronically ill elderly citizens are the responsibility of governments. Many of these people find it difficult today to find accommodation unless they

live in areas where nursing homes have been certified. Those certified homes receive $5 per day per patient from the commission. In comparison, I suggest that the average cost per active permanent hospital bed in Canada is over $18 per day, or almost four times the cost of treatment and accommodation for chronically ill individuals. This certainly applies in Ontario. I also wonder how many active patient hospital beds are being used at this high rate of chronically ill individuals who could be looked after in nursing homes. In this connection I should like to deal in a few moments with mental health. While I appreciate that this is the responsibility of provincial governments, I wonder whether more research could not be done at the federal level. I am aware that Dr. Farquharson has pointed out the scarcity of personnel to carry on this work, but I am also aware of the old proverb that an ounce of prevention is worth a pound of cure.

I am going to speak for a few moments on the mental health of our people because I believe, with the stresses and strains we are now subjected to, more and more of our people suffer emotional upsets. In this regard I think we should take a look at this very important problem when we realize that one out of 10 babies born in Canada will wind up in a mental institution; that mental and senile deterioration will increase as our life span lengthens. In the last 60 years it has lengthened 20 years. The fact is that one out of every 10 people is either mentally unbalanced or has a serious problem in adjusting himself. It is estimated that 2 per cent of our population is substandard in intelligence. It is stated that 15 per cent of all our school children and university students need psychiatric counsel and it is a well known fact that 2 per cent of our population are alcoholics and need treatment at various times in hospitals or in mental institutions. Indeed, Dr. Wolf states that 50 per cent of all hospital patients suffer from emotional problems that delay their recovery and their stay in hospital was, according to his figures, three times as long as in the normal case. Thus this has increased greatly our hospital costs of which this government pays one-third.

This makes us wonder whether progress is active enough in the research field including researh on virus infection; whether enough dollars are being spent to explore all avenues. Virus sickness, including the common cold, can cost this nation a vast sum in terms of research, treatment and the loss of time of employees from work. Polio is being conquered. The success in this field is a great tribute to the work being done both by the federal and provincial governments; but, what about some of the other viruses? What about the virus of measles, for instance, that works on the pregnant mother with the end result a defective child may be born? Should all pregnant women who are not immunized be given measles serum? Should pamphlets be put out by the federal government advising that this should be done?

The province of Ontario has a very fine health department. It has a very capable administrator in the person of Dr. Mat. Dymond. Duplication is costly and unnecessary. Let us make sure that we cover the field properly by aiding and helping the provinces in the fields in which they are unable to undertake and incapable of undertaking the necessary research.

What about the welfare of our older people? More and more are living beyond the arbitrary years. The hon. member for Niagara Falls mentioned the importance of our senior citizens. This is indeed a problem. Just as an illustration, there are more than 5,000 people in the United States who are over 100 years old. This is an astounding figure. It just illustrates that more and more people are entering into the geriatric field. Indeed, in the province of Ontario they organized a geriatric section in the Ontario Medical Association. I believe about two months ago they had their annual meeting in the city of Toronto. Our arbitrary retirement age was set at the time of Bismarck, and that is getting close to 100 years ago. It is ridiculous for us today to be following the same premise. At the time of Bismarck, the average person lived to be 40 years of age; today he lives to be 70 years. We have to take another look at this question.

A great many of these older people live in their own homes, but they are unable to carry on normal household duties to the full extent that they should. The husband and wife are living there. In many instances, if a well cooked meal was prepared and taken to them they could continue living at home. That is being done in some parts of the United States; they call it "meals on wheels". Those people get one good cooked meal a day and they stay in their homes where they are happy in their own environment, without the cost of housing them, thus saving the government millions of dollars. The same thing applies to cleaning up and looking after the house. If a welfare worker were to go in the home once a week and probably do some of the heavier work the old people could carry on. The premises would be kept clean and the old people would be cheered up by the welfare worker. I would suggest to the federal government that they give leadership to the

provincial governments in some of those things that have been pointed out, particularly by the United States geriatric society.

We always speak about the pensioners and the increases needed in their pensions. I believe in this. I am in favour of increases but also let me say that I have seen old people die not for want of money but for want of love. Love and the feeling of being wanted are very necessary if we are to have a successful program for the aged. As a matter of fact, this is fundamental. Again this is something that should be instituted at the community level. It costs nothing. Let us put it into practice.

I want to touch on another problem which concerns our children. I hope I am not making too many suggestions to the minister because I know some of the problems he has. I believe that the federal government should assist in or carry out a plan across Canada to supply milk to all the school children. This is done in nearly every country today that has a standard of living comparable with ours. Canada is particularly fortunate in having some of the finest dairy cows in the world. Why we should be behind other countries in this field is very difficult to understand. No better food could be provided for a growing child at such a low cost.

I want to say a few words about cardio-vascular diseases which are caused by a high cholesterol diet. The villain is said to be cream, butter, animal fats, all products produced in abundance in our northern climate. Not only are they important to our economy but milk and cheese are cheap sources of protein, calcium, riboflavin and vitamin A. It has been contended that butter, cream and fat in the meal would cause heart disease, particularly coronary thrombosis. People have been urged to use less fat, to discontinue butter and cream and to drink skim milk or powdered skim milk instead of whole milk.

I believe it is readily admitted today that humans obtain their cholesterol in one of three ways: first, by eating foods that contain it; second, by manufacturing it from the starch, sugar and protein they consume; third, by manufacturing cholesterol within the body which varies in reverse with the amount of cholesterol they have.

I think it is pretty well accepted now that cardio-vascular disease runs in families; that only a small percentage of people run cholesterol over normal on normal diets, and those that do may be helped by diet, but more likely will have to be helped by a drug which will control it as insulin controls diabetes. The perfect drug to control it has not been developed but there is a drug that does stop the body producing cholesterol just short of its synthesis.

[Mr. Rynard.]

The medical profession, and I plead guilty with them, may have unwittingly done a great deal of harm to the dairy industry. To prove how fallacious our concepts may have been may I say that we in Canada use far more butter and have far less coronaries than our neighbours to the south. In talking to representatives of health departments in Great Britain and Europe I learned that no particular diet was stressed. The only thing they did stress was to avoid obesity and to control weight.

In examining the matter more closely we must have in mind that milk has been a food for human beings since life began. Perhaps the health and welfare department could emphasize the importance of milk, cheese and dairy products in general in our economy as being the cheapest sources of calcium, riboflavin and protein.

I wish to dwell for a few minutes on the shortage of trained personnel. We hear so many people say: We will put in a health plan tomorrow and we will cover all dental and medical care. Let me say this. I am wondering what can be done federally by the Department of National Health and Welfare to encourage young people graduating from high schools to enter the fields of dentistry and medicine. Something has to be done if the high standard of dentistry and medicine, the finest in the world, are to be preserved.

It is shocking to learn that only 193 dentists graduated in 1959 compared with 306 in 1950. Nine out of every ten people suffer dental destruction and all children need dental attention before the age of 15. To do all this work in Canada there are only 4,579 dentists in private practice or one dentist for over 3,000 people. In Sweden there is a dentist for every 1,400 and in the United States there is one dentist for every 1,800 people. To meet the need of prevention partially, V.O.P. is training dental hygienists as auxiliary helpers in this field, particularly with regard to the maintenance of healthy mouths in children.

How do we increase the number of dentists to the point of at least keeping the present ratio of dentists to the number of patients? Dentistry schools would have to be enlarged. How are the costs of the course to be met? How are the students going to be able to meet the fees and the other costs of attending university? If they are able to borrow this money, will their earnings be high enough to compensate them for the five years of expensive training plus dental office equipment costing between $7,000 and $10,000 and high rental offices in our cities? Has the

federal Department of National Health and Welfare undertaken any research in this field to learn the answers?

Would a course of four years, with an additional month or two months per year, cut the costs and allow more students to be graduated? The same buildings could be used for the extra two months without any or very little additional cost. I am wondering whether, with our high cost economy in every field, we can allow our educational buildings to stand idle for some months in the year bearing the cost of depreciation and interest charges? I know it will be said that we are short of teachers to carry on any program like this. Yet we met that crisis when the war was on and many of our medical and dental men were away in the services.

There is another point. Should tax incentives be granted until the young graduate has some of his debt off his shoulders? I am speaking particularly of the dental profession although the statements I have made can be applied to many of the other professions, including my own. In the dental field there is now insurance as to dental care with free choice of dentists. Yet what is the use of health insurance or dental insurance if we have insufficient personnel to give the necessary care?

In the medical field it seems to me that everyone wants to be a specialist. In many places there is, I believe, a shortage of general practitioners. Is there anything that can be done to make general practice more attractive to the young graduate? It seems to me that today a young man goes through medical school and rarely meets a general practitioner. Should qualified general practitioners be put on the teaching staffs of universities?

When I went through school all teachers, as I remember, had done some general practice work, the work of the man who has been so aptly described as not only the healer but the friend and counsellor of the family. Too many specialists add to the costs with which the public is already overburdened. In case I may be misunderstood, let me say that the specialist often is able to save lives. Special training is very necessary in many cases, but do not let us lose the general practitioner.

In this field we need many more graduates. Had we not taken in so many doctors from other countries, we would not have sufficient medical personnel today to look after the people of Canada. Again, as I have suggested with regard to dentistry, should the time be cut from six to five years and the course each year lengthened? Should tax incentives be offered young medical graduates? Is the fear of a government dominated health plan scaring away promising young men from the medical and dental fields? Should we encourage young women in our high schools to go into this field, a field that appears to me is being vacated by the young men? In some countries in Europe women doctors are more numerous than men. Perhaps we should learn some of the answers before it is too late and we find ourselves short of necessary medical care. It is my hope that judge Hall and his commission will come up with a sound scheme that will not have to be put in reverse because of hasty, ill-conceived plans.

Mr. Regier: Would the hon. member permit a question? I know he is an honoured member of the medical profession. However, there is a suspicion abroad that the medical and dental professions are closed union shops and that there are limitations imposed upon the numbers who may become doctors or dentists. Would the hon. member for Simcoe East, who has a considerable reputation in this field, comment on this allegation that we hear so often?

Mr. Rynard: We have the highest standard of medical care in the world and there has to be close scrutiny of the students and personnel who are trained in the medical field. We want to maintain our standards if we can.

Mr. Regnier: Mr. Chairman, I wish to speak on that part of the estimates dealing with the emergency advisory committee and radiation protection. I do not believe anyone today has touched on that part of the program of the minister, and this is a fact I deplore. I believe there is great apathy among the people of Canada and I am sorry to say that it seems there is great apathy in the House of Commons regarding this very important matter. I do not believe it is possible to exaggerate the necessity of having a program for human survival in the event of war. In the newspapers on June 21 last we noted that Douglas Dillon, treasury secretary of the United States, had said that today the Berlin situation is crucial and that a house foreign affairs expert had said that it was possible the United States would be at war with Russia by the end of the year over Berlin.

In the report of the special committee on research I have read that Dr. Stewart said:

> I know of no approved shelter in the country, no shelter that has a stamp of approval.

We have had a civil defence organization for ten years and if we continue at the same tempo for the next ten years and war comes we will be totally unprepared. I feel that it is only by a well organized and well

thought out civil defence, which will provide fall-out shelters for all Canadians, that this nation will survive a nuclear attack.

With the recent threat of Mr. Khrushchev that he will make a separate peace treaty with east Germany by the end of this year and with the firm warning of President Kennedy and Prime Minister Macmillan that they will resist such a move, hon. members will agree that the tension in the world today has almost reached the cracking point.

While a military defence may have the desired effect against an attack, one must not forget that a well established civil defence is also a great deterrent. If a nation is organized for human survival in the event of a nuclear war, the effect of the nuclear bomb is diminished to the damages caused by the explosion. The greatest damage a nuclear bomb can cause lies in the after effects of the radioactive fall-out. It is of the utmost importance for national survival that precautionary measures be taken at once to safeguard our population. Since 1955 when, at a meeting in Edmonton on August 31, military experts and nuclear war experts warned the nation that the time to act was "now", almost six years have passed.

Although in the last two years a vigorous publicity campaign has been waged by the authorities, there has not been any significant progress toward provisions for human survival. We can say without hesitation that, while the danger of nuclear attack has been brought home to the Canadian people, no concrete measures for the protection of the Canadian people have been taken. There is no purpose in being like the ostrich and burying our heads in the sand. The only way to bring about satisfactory results is through action by the government in enlisting the people in a national defence organization in the same manner as the nation would do if it were at war. The time to act is "now", when we have idle hands, people who are not actively employed in our industry should be enlisted in the same manner as soldiers during a war emergency. There is no point in pretending that we are getting anywhere in our civil defence. We can come to the definite conclusion that if we proceed at the same tempo as we have been proceeding since August 1955 when the nation was told that the time to act was "now", then we will not be ready when war comes. It will then be too late. We must prepare for civil defence now.

In the Toronto *Saturday Night* of June 10, 1961, there is an article by General F. F. Worthington, former civil defence co-ordinator, comparing what Russia is doing with what Canada is doing. I quote from that article:

[Mr. Regnier.]

Russia: People are trained and organized

In the U.S.S.R., civil defence training is mandatory for every male person between the ages of 16 and 60 and for every female person between 18 and 50 not in the armed forces or excused for medical reasons. The government provides, maintains and supplies both blast shelters and fall-out shelters.

The basic component of the Soviet organization is the "self-defence group" in heavily populated areas and the "unitary team" in sparsely populated areas.

In peacetime, the duties of both groups, as set out in the Soviet union's civil defence manual under the title "Defence Against Agents of Mass Destruction", are to maintain a constant state of preparation against an attack and to work with the regular authorities in such services as fire prevention.

In the event of an attack, they give first aid to the injured (and veterinary aid to animals), organize the evacuation of the population from destroyed areas and generally work to eliminate the after effects of an attack.

Self-defence groups consist of a chief, his deputy for political affairs, a property manager, communications officer and fire fighting, anti-chemical, emergency rescue, medical (two), shelters, law enforcement and veterinary (in farm communities) teams. Each team is composed of a team commander, four to seven members and a reserve of two men.

Canada: Survival is up to the individual

Survival for Canadians in a nuclear war is very much a voluntary decision. The government provides no bomb shelters, no fall-out shelters and no supplies or services, apart from essential national services, to aid the citizen. Canadians may, if they choose, build their own fall-out shelters following a government approved plan. Or they may not; no one is compelled to take any precaution against a nuclear war. Those who do choose to take what action they can to protect themselves face a difficult task.

In "eleven steps to survival", publication No. 4 in the blue print for survival series by the emergency measures organization, it is made clear that to be at all effective they must know the effects of nuclear explosions, the facts about fall-out, the warning signals (and have a battery powered radio), have a shelter and fourteen days' emergency supplies (100 items), know how (and when) to fight fires; know home aid and nursing, know emergency cleanliness, know how to get rid of radioactive dust, know municipal emergency plans, and finally, have their own plan for their own families.

In all this, the government and government supported agencies provide only the basic information. In many cases, particularly in municipal emergency plans, even the information is as yet unavailable.

As I have just said, in Russia the people are trained and organized. In Canada, survival is up to the individual. It is not sufficient for the government to give good advice to the nation. The government must save the people in spite of themselves. We cannot permit this nation to commit suicide. We must save the people. It is foolish to keep an army just to pick up the pieces after the bomb falls. While first aid is important, it is more logical to avoid casualties and thereby take the sting out of the bomb. As I said before, I feel it is impossible to exaggerate the necessity for a proper civil defence organization. I should

like to say also that if we did have the proper civil defence organization, we would have no unemployment in this country. We could employ anyone who was willing to work and in this way we would have prosperity in peacetime and we would have some assurance of protection in time of war. Let us not kid ourselves. If we did not have insurance agents, we would not buy insurance. If the insurance agents were not paid, we would have no insurance. We will have no proper civil defence organization as long as we are not ready to organize it in a businesslike manner. We know that today the war clouds are all over the world and if we are not careful we will be caught without preparation.

I am sorry to see that there is no more interest in the discussion of this most important item in the estimates. I know the government has advised the people of the dangers; they have told the people what to do, but I believe the people are entitled to more leadership in connection with this matter.

Mr. Regier: I was greatly interested in hearing the remarks of the hon. member for St. Boniface. If I have taken his words down correctly he said, "In Russia the people are trained and organized". I do not mean to say very much on the subject of civil defence of our population in case of a nuclear war. However, I should like to inform the hon. member for St. Boniface that, even though the people in Russia may be well trained and organized as to how to defend themselves in case of a potential nuclear war, I am not at all impressed because if nuclear war comes I can assure the hon. member that I do not expect to survive. I can also assure him that if I should be unfortunate enough to survive I would not regard the world as worthy of living in afterward regardless of political organizations or of all kinds of ideologies that may be involved. I consider this to be a whole bunch of nonsense. I think the hon. member might be well advised to consider what he, I and all of the rest of us in the eastern world and in the western world are able to do to prevent this horrible catastrophe from happening.

I have also a brief observation to make on the remarks of the hon. member who preceded the hon. member for St. Boniface, namely the hon. member for Simcoe East. He made a reference to the issue of chronic hospitals. At this point I wish to compliment our government on making available hospital grants and also maintenance grants in respect of the problem of chronic hospitals. I should like to condemn our provincial departments of health in this respect. I completely agree with the hon. member for Simcoe East in his contention that we are operating most uneconomically when we are maintaining in our hospitals many people who ought to be looked after in chronic hospitals.

I believe that our provincial governments are guilty in that they have not supplied any leadership whatsoever with respect to the initiation and the building of hospitals for those who are chronically ill. For a number of years now our federal government have offered to make a major contibution towards the construction of these hospitals; and under our national hospital insurance plan they have also offered to bear what I consider to be a major share of the cost of operation of such hospitals. Yet our provincial governments are evading their responsibilities in this field. This evasion is costing the taxpayers needless amounts of money and it is also causing a great deal of needless human suffering.

Further, I wish to call to the minister's attention at this time especially one particular item. If a man and his wife are each beyond the age of 70 years they are entitled to and receive $55 times 2, namely $110 a month. At the moment either the husband or the wife dies the survivor—and statistics will show that the husband usually dies first and then the widow survives—is left with $55 a month.

I know this issue does not arise in the case of the people who have gone through the means test. However, we have ever so many hundreds of thousands of cases in Canada in which a man and his wife live on the $110 a month. They receive no supplementary benefits. They have been independent people all their lives. They have a minimum amount of savings. They may even have their own home. They may even have an income by way of annuity or pension or what-have-you. However, the moment that one of them dies there is a reduction of 50 per cent in their receipts. This reduction places many of these people in the position in which the survivor—and as I indicated previously in most instances it is the widow—has to submit to the means test in order to receive whatever supplementary benefits are available within the province or within the municipality. I feel that this is most unfair. I feel that we ought to adjust our social security act in order that the survivor, upon the death of the other partner, might be able to receive a little more than 50 per cent of the amount that had been received previously. I know that this issue involves the marginal case.

Mr. Brundsen: Will the hon. member permit a question?

Mr. Regier: Yes.

Mr. Brunsden: As usual the hon. member for Burnaby-Coquitlam is dealing in the abstract. He is pointing out cases. He is deploring conditions. Would he care to make a concrete recommendation?

Mr. Regier: I would indeed, Mr. Chairman. I note that the hon. member for Medicine Hat is again in his regular old form. Every time I speak he raises a point of order. However, at this time he did not raise a point of order; he asked a question. I would recommend that a man and his wife receive, as they now receive $110 a month. However, if one of them dies, I would recommend that the survivor receive at least $75 a month. I believe this would be a compensation in the case and would eliminate the need for the survivors to subject themselves to the means test and to have their houses and whatever other small annuity or income they might have subjected to scrutiny by welfare officers. I believe it would help to maintain the dignity of these people.

This is an issue that has been called to my attention many and many a time. I pledged my word that I would raise it on the appropriate occasion. I have written letters to the minister and in his replies he always refers me to the ability of the provincial governments and the municipal governments, to deal with the matter, and says that in the case of need they may grant supplementary allowances. I do not think the minister has completely understood the issue involved. All these people know they can apply to the municipalities and provincial governments; that they can submit their case to a means test. However, I feel our basic law is wrong and is weak in this respect, because the basic expenses of maintaining a home for one are not half what they are for maintaining a home for two. The grant should recognize this fact. I think the minister appreciates it. Perhaps our Old Age Security Act ought to be amended in this respect, because as it is now operating we are forcing all kinds of people needlessly to appeal to the municipality or the provincial government, to plead poverty and be humiliated in a way that I think the Old Age Security Act never intended.

Mr. Carter: Mr. Chairman, I should like to express my thanks to the minister for his résumé this morning of the work of his department. I think the minister gave us some very interesting figures to consider. The minister pointed out, as have other hon. members, that the Department of National Health and Welfare is now the second largest spending department of the federal government, being second to the Department of National Defence.

The minister also pointed out that of this $1.6 billion we are spending on health and welfare, 94 per cent is statutory. We know that as our population increases and as people live longer this statutory grant is bound to increase year after year. Of course the figures the minister gave us this morning do not tell the whole story, because in addition to federal spending there is provincial spending.

I do not know whether the minister has available the total amount spent on health and welfare throughout Canada. If he has that figure, I think it would be very useful to have it on *Hansard*, because I think the federal figure would be much more meaningful if we could consider it against the background of the total cost of health and welfare services throughout Canada. As I have said, these amounts are going to increase year after year and, comprehensive as are our plans for health and welfare, there are still many things we would like to see included in this program.

Some hon. members mentioned portable pensions this morning. The hon. member who has just resumed his seat mentioned that the pension plan should be revised so that the survivor would receive $75 a month instead of the $55 he now receives under the present plan. I think these suggestions are worthy of consideration and are certainly things we would like to include in future plans.

However, because of the kind of economy we have in Canada, we can only have as much as our country can afford. I think this raises the point of whether or not it is possible to organize our expenditures on health and welfare in a more efficient manner than is the case at the present time. According to the figures which the minister gave us this morning, of the $1.6 billion we are spending this year, approximately one quarter will be spent on health. That, of course, is a considerable sum in itself, but we must consider that health is the primary responsibility of the provinces. Therefore the total amount spent on health throughout Canada will be many times that figure.

I have been wondering whether it is possible to find out just what relationship exists, or whether there is any relationship between expenditures on health and expenditures on welfare. I do not know whether the minister's department has carried out any study in this regard, but I think it would be useful to undertake such a study.

Money spent on health must be regarded as an investment, because health means wealth and more production. Health is an important factor in our economic production. Today we have a program of preventive medicine and I wonder whether it might not

be possible to extend that preventive idea a little further than we are at the present time. At the present time we think mainly in terms of vaccines to prevent certain diseases. This morning the minister spoke of physical fitness programs, and these are certainly directly related to health.

I was impressed with the remarks of the hon. member for Simcoe East concerning nutrition and diet. I noted that in the minister's report there is a section on nutrition; we are examining certain foods and setting up certain nutritional standards. However, I think these things should be correlated; I think they all tie in together. I say this because it is my opinion that as a people we Canadians are not healthy. I think we are far too soft physically, mentally, morally and in many other ways.

If we are going to have a program of physical fitness, let us go all out and have a co-ordinated plan, not just a separate plan for physical fitness, a separate plan for nutrition and a separate plan for dieting; let us have a program in which will be incorporated all the factors that contribute to health. I should like the minister to tell us what consideration his department has given to this question.

The minister mentioned another point this morning which was of great interest to me. I refer to radiation protection activities undertaken by the department. The minister said the level of strontium-90 in milk had declined to 9.5 micromicrocuries from 15 points a few years ago. I understand that figure to be an average figure, but I wonder whether the minister could tell us what the latest figures are in respect to the range of levels in the various parts of Canada.

The question of radiation hazard is not confined merely to radiation fall-out. We have now reached the point in our industrial development where atomic energy is coming into greater use. I suggest this raises the problems of hazards from atomic wastes.

I am informed of the decision of the United States court of appeal which prevented the establishment of an atomic power plant at Lacoona beach on lake Erie, some 30 miles southwest of Detroit. That court held that the United States atomic energy commission in issuing a provisional licence for this plant was unmindful of the welfare and safety of the 2 million people who live within a 30 mile radius of that location. I wonder whether, in view of the advent of atomic power in industrial use, Canadian cities and centres might not also be endangered, and should like to know what steps are being taken to forestall this.

As the number of plants using atomic energy increase the disposal and dumping of wastes and radioactive garbage becomes more and more of a problem. We know that the Ontario hydro electric commission has chosen a site 15 miles north of Kincardine for the establishment of a 200,000 kilowatt atomic power generating plant. I should like to ask the minister what arrangements are being made for the disposal of atomic or radioactive wastes from that plant. I understand that this waste will be disposed of in the waters of lake Huron.

Last November health authorities in Nova Scotia became concerned about the United States atomic energy commission dumping atomic wastes in the ocean 200 miles south of Yarmouth. Individuals who live on the eastern seaboard depend primarily on the products of the ocean—various fisheries—for their livelihood and are very much concerned about the possible effects of radioactive contamination. About that time the Nova Scotian authorities reported this matter to the department of health in Ottawa, but so far as I am aware nothing has resulted since. I should like the minister to comment in respect to this problem when he replies because it seems to me that if radioactive waste dumped into the ocean can be a hazard then the radioactive wastes being disposed of in our inland waters would certainly be a much greater hazard.

Before I resume my seat I should like to thank the minister and his department for the co-operation which was forthcoming a year or so ago in connection with radioactive hazards in my own riding. This radiation hazard occurred in the fluorspar mines at St. Lawrence. Through the co-operation between the minister's department and the provincial departments of health and mines arrangements were worked out whereby safeguards were adopted to protect the health of miners working in that area. It was also my understanding that some arrangements would be arrived at whereby the miners themselves would be provided with some means of monitoring the radioactivity in these mines. I know a lot of miners working there who have been exposed to what they consider the limit and who left because they did not wish to expose themselves any further. I should be grateful if the minister could bring us up to date in respect to what has developed in connection with the radiation hazard in these mines.

Mr. Fisher: Mr. Chairman, the minister's department is not one with which I have had much dealing or contact and I am, therefore, not in a position to be either critical or flattering in respect to its administration. However, I do wish to ask the minister a few questions and make several

comments in regard to one phase of a topic which is considered to be of interest at the present time, and has been of interest for a number of years.

We are all, of course, aware of the situation which has developed in connection with Jean Talon hospital in Montreal, and I am very curious and interested to receive an explanation from the minister as to how grants from the federal government were allocated to this particular institution. I should like to hear about the timing of those grants.

I should like to ask a question of the minister resulting from a certain dissatisfaction with an answer he gave in the house to a question relating to a press release which emanated from his office embodying a speech he made in the constituency of York-Humber while assisting the hon. member representing that riding at a constituency meeting of some kind. I should like to know whether the minister has looked closely at the contents of that speech and whether he does not think he owes his political opponents an apology for embodying in that release very hard hitting, critical and nasty references to both the Liberal and C.C.F. parties. It was a bit of a shock to me that the minister would use his facilities in order to give wide distribution to an out and out political attack such as was embodied in that press release. We appreciate that, politics being what they are, the minister is entitled to have his view that the Liberals are a bunch of rogues and the C.C.F.'ers a scandalmongering group, but when allegagations and accusations such as those are embodied in a speech emanating from his office one wonders about the coherence of the minister's attitude toward his role as minister. I would appreciate an early explanation in this regard.

Another field in respect to which we deserve some kind of an outline, which I do not believe the minister covered in his introductory remarks, has relation to a fitness council or the rumoured and heralded legislation that was going to be brought forward this session in relation to major support for a physical fitness program. I am sure the minister knows the sad fate of the fitness council which was set up during the war by the previous administration, and how it gradually fell away and finally was put to one side as a useless field of endeavour for the federal government.

A little over a year ago the Prime Minister indicated that the idea of a national fitness council had won his support and that he was going to have federal authorities study the possibility of government participation in such a program. We must assume that this is part of the legislation heralded in the speech from the throne. I think we need to hear from the minister as to what form the plans are taking. Anyone who goes back and reads the concluding debate that wound up the affairs of the previous national fitness council and the legislation with regard to it knows that it sickened and died despite whatever merit or purpose it may have had. If we are to get into the field again I think we are entitled to an explanation of what went wrong with the previous legislation. What was wrong with the liaison and the co-operation among all the bodies that made up the former fitness council that led to its demise? If we do not get this information it seems to me we shall be faced with an attempt to do what has already been attempted and found to be a failure.

The aspect of the fitness council that has, of course, more public interest, more fascination, is whatever it may do in the nature of supporting national sport. Here again I think we would welcome from the minister some indication of the role he feels the federal government or his department may play in supporting the national athletic reputation of Canada. My own feeling, and I think that of many of my friends, is that this is not a line of endeavour that should be sponsored by the federal government. And yet increasingly in other nations of the world the national team, whether it be track and field, or team athletics, is becoming an aspect of national pride and national heritage. This being so, a decision has to be made concerning the role the federal government will play. Somehow or other we have never been very bold in determining what that role will be. Since legislation is supposedly coming in this session about it, I think the minister should give us an indication as to the reasons why we should get into this field, or why we should not.

The debate which has taken place in the public mind on this matter has taken place largely on the sport pages of the Canadian newspapers. While I do not think the sport pages are the favourite reading matter of politicians, as someone who checks them with some regularity I can say that in the main the writers of the sport pages of Canada, when they turn to this problem, use an editorial line which is strongly in support of some kind of national endeavour in the field of sport in order to improve the status of Canada's reputation in this regard. Some writers have tried to deal with the very difficult and delicate problem of what role professionalism is to play in this kind of endeavour. In general, no one has worked out a clear-cut approach as to when a sport or an athletic activity becomes of importance

to the national government. We can see this problem in hockey perhaps more than in any other place in that we cannot field a good amateur team in world competition that is a genuinely amateur team according to the traditional classification of amateur, and yet our players have to face units that are organized, developed and sponsored by the states, particularly by the states in the Soviet bloc, where their attitude toward athletics seems to be that, both individual sport and team sports are an important adjunct of life and fully deserve the support of the government.

I think an example we should look at in this particular field is the United States where for many years the state department has backed the sending of United States athletes to different parts of the world, supporting them, providing an appropriation that does not recompense the athletes in terms of professional stipend but ensures that United States athletes are prepared and trained and participate in athletic events around the world.

Of course, the United States, through private auspices, comes forward at Olympic time and at the time of the Pan-American games and provides exceptionally large, or relatively large, sums of money to see that Old Glory is well represented in the athletic fields of the world. One of the reasons the United States can do this without getting into it to the extent that this country can is that the four semester system in their universities leads to a much greater thoroughness and intensity in the kind of training that can be given to athletes of all kinds. In a sense they are subsidized.

I had the pleasure of reading the local newspaper the other day and seeing where three students that I had once taught had graduated from a United States university, and their whole education at these universities was subsidized because of the fact that they were excellent hockey players. Another lad who graduated was an excellent runner. Well, the Americans have built into their universities this promotion or subsidization of their athletes, and so it becomes a support for their international performance. We have not that situation in Canadian universities particularly in track and field sports and in others. Therefore, Canada continues to make a terribly poor showing.

Several weeks ago a bound volume was put out in commemoration of the Olympic games that were held in Rome. If Canadian nationalism is sparked or supported by seeing indications that Canadians have done well, hon. members would be very disappointed in looking at this volume, because continually they would see that athletes from New Zealand, Australia, United States, Poland, Hungary, Norway, Finland were all there on the rostrum accepting medals for doing very well. You could see what a reflection of national pride it provided. For Canadians there is almost nothing. I think we have one picture of the famous Ottawa skier, and that is about it. In terms of the actual text of that very thick volume Canadians hardly appear at all. I am not putting it to the minister that this is a very grave or a very serious condition in my opinion, but many people in the country feel that it is, and I am trying to put it to the minister that we should have some indication from this government as to what its views are because whether I, the hon. member for Greenwood or the hon. member for Kootenay West think it is important, it is an issue in much of the country with a certain number of people.

Mr. Macdonnell: May I ask the hon. member a question. In his research—and it has been very interesting—into the relative success of Canadians and others in international competitions has he discovered whether the success or failure of representative athletes has had any effect in the relative countries on the participation in healthier athletic games?

Mr. Fisher: It has had a tremendous effect, according to what I can find out, because of the tendency today for younger people in particular to search for heroes and symbols of success. When a country does not produce any people who stand in the forefront of world achievement, there is no one to look to for an example. This is one of the difficulties.

Of course, in the Soviet bloc an athletic person of high performance is given a tremendous amount of respect and encouragement and the same, as we know, applies in the United States. We do so too but most of our athletic hero worship at the present time is tending to focus upon activities in two fields, professional hockey and professional football. In the one those who do the chore are mostly Americans and in the other field they are concentrated in a fairly small league of six teams. It is not really international competition in a sense. Good as Jean Beliveau may be, he is not of world stature such as a runner like Herb Elliott or a runner like Vladimir Kucs or some of the British runners.

Mr. Herridge: May I ask the hon. member a question? In the list of countries which produce many champions he would include Great Britain, would he not?

Mr. Fisher: The hon. member with, I would almost say, his British-Israelite zeal should recognize that many people in Britain

are greatly disturbed about the situation. They have had the Wolfenden report on the situation which was prepared by the same man who did the study on homosexual psychopaths. He made a study of playground facilities and other sport facilities in Britain and very recently the government there provided more funds for playgrounds and coaching activity in line with the report. If the hon. member wants to look at the British for an example, I would point out that they are very concerned about this problem. It is not surprising to find that in very serious, one might say stodgy, media such as the London *Times* and the *Daily Telegraph*, strong support for the old English tradition of games and athletics. We do not seem to have that here.

In concluding this particular aspect of my remarks, I want to say to the minister that I am not advocating that we come out with a policy that strongly supports national endeavour in the field of sport because I am not sure it is a line we should pursue. However, as long as we are going to have an organization like the Canada Council operating in what one might call the field of high culture, we have to recognize that a much larger group of people in Canada strongly believe that in their particular popular culture, sports culture, there should also be leadership. It seems to me that the government has indicated by its acknowledgement in the speech from the throne that it is going to do something about this matter. We would like to know how far it is going to go and what it feels the real urgencies are.

The last point on which I want to touch relates to a very general field that was brought to my mind by the remarks of the medical member for Simcoe East who issued not quite a lament but at least an appeal for the general practitioner. In a couple of contracts I have had with groups of doctors recently I noticed that if you are talking to a surgeon or some other kind of specialist his attitude toward medical insurance is much different from the attitude of the general practitioner. The general practitioner seems to be the doctor who is most against any extension of state operated medical insurance in particular. I should like to refer hon. members to one of the most entertaining articles on doctors that I have ever encountered. It is entitled "Doctors and Politics". It is written by William A. Glaser and it appeared in the *American Journal of Sociology* for November, 1960. It is filled with a certain amount of sociological jargon but it analyses the medical profession in terms that seem to me to be true. I start with this quotation:

> The doctor is a highly trained expert who uses a codified and technical body of knowledge and skills to solve complicated problems with certainty and with a high rate of demonstrable success. The politician uses common sense knowledge and personal relations to promote and adjust the demands of competing groups, and his solutions are never permanent and seldom unambiguously successful. From their perspective at the pinnacle of the achievement and reward systems—

He just means that doctors make more money than most people and are looked up to more than most.

> —many doctors may look down upon politicians and lay pressure groups as inept and inferior. Medical journals sometimes publish patronizing harangues against politicians. In two surveys doctors and medical students described politicians as people less intelligent, moral and dignified than themselves. The editor of a leading medical journal sums up a viewpoint probably widespread in the profession:
>
> "The doctor's dilemma today emerges from the fact that politics is a dirty-hands business, and medicine has always been a clean-hands profession. Healing and heeling don't go together. Actually, what exponents of pressure-group action by doctors may be saying is that a good end justifies evil means—a doctrine that has been rejected by philosophers since the time of Hippocrates and is shunned by most doctors today in their personal and professional lives."
>
> For all these reasons, the average doctor is not an unusually active participant in campaigns and is neither able nor willing to maintain the year-round involvement in lay politics which yields the greatest political influence.

This analysis of the medical profession and the attitude of the doctor toward politics seems to me particularly relevant at a time when the Canadian Medical Association is trying to give leadership to the doctors in meeting a challenge that is coming from the fact that most political parties have gone on record as supporting a medical insurance scheme that will apply to all or the great majority of the people in the particular jurisdiction in which that party may be interested.

If this analysis is true, it seems to me that the doctors are perhaps peculiarly or particularly inexperienced in understanding or appreciating the pressures that politicians may be under and also the situation into which they are now fully settled. It is for that reason that I would hope that both the provincial medical association and the Canadian Medical Association will continue to do everything in their power to maintain a progressive attitude. If they feel, as their bulletins indicate, that the medical profession can accept this challenge and provide through doctor-supervised plans some complete answer to the medical needs that the people are wanting to have satisfied at the present time, then I think we will tend to be grateful. However, because I believe that this analysis has some sense and is a fairly correct one, I have grave doubts whether doctors as a whole will be able to weather the kind of storms that they will face in producing such a scheme. I would only ask that they

do their best to recognize that, whether or not they produce a scheme that is acceptable to the politicians, they must accept the fact that the country wants a state supported or state sponsored or state led medical scheme for all of the people of the country. It seems to me that as long as they keep trying to come up with something that through co-operation and liaison with government leadership will provide the service, then just so long will they remain in the forefront of their profession both in its practising aspect and its administrative aspect. Of course, it is the administrative aspect that draws them into politics.

One of the answers I always get when I ask both doctors and dentists why they are having difficulty in recruiting at the present time is that there is so much socialism abroad that they cannot attract people into the profession. There is not nearly the urgency to be a doctor or a dentist today because of the fear these professions are going to be taken over by the state. This always seems to me a most incomplete and unsatisfactory response because when one analyses what the medical profession in particular has done, one finds that they have formed into clinics and co-operative groups themselves. They have been doing this for a very long time. The tendency, at least in the part of the country from which I come, is to have a kind of co-operative arrangement among doctors. You rarely find a single doctor operating any more. I am sure there are good reasons for this. There are the expenses that need to be covered, the increasing complexity, the complementary nature of so much that is done in specialized fields in the medical profession.

It seems to me that in answer to that kind of response, I am correct in saying that you, yourselves, in the medical profession have started and have gone along with this trend toward socialism. One of the points I noted two years ago was that the Canadian Medical Association indicated in a statement that one third of the doctors in Canada were on a salary. Surely, if there is that large a proportion of the doctors in Canada on a salary, the whole idea that the trend of the times is undermining recruiting in the medical profession must be haywire. When the percentage is so high, there is every indication that the payment of a salary does not inhibit people from going into the medical profession.

Mr. Horner (Acadia): Would the hon. member permit a question?

Mr. Fisher: Yes.

Mr. Horner (Acadia): Would he agree with the statement that one third of the doctors in Canada today came from the socialist medical plan in Great Britain?

Mr. Fisher: Why should I agree with that statement? I do not know whether or not there is any substance to it.

Mr. Horner (Acadia): This is a statement that has been bandied about quite a bit, and I wondered whether or not the hon. member had read it and agreed with it.

Mr. Fisher: I have not read it. However, I have met a great many doctors from Great Britain in Canada who are great advocates of socialized medicine. I want to tell the hon. member that in the year or so I was attending university in England, I could not find a Conservative anywhere who wanted to ditch the national health plan.

Mr. Horner (Acadia): There still seems to be a number of Conservatives over there.

Mr. Fisher: Well, there certainly are and those Conservatives, I point out to the hon. member, are supporting the national health plan. I am sure that his party will be, too, when this subject becomes an election issue.

The last point I wanted to make in relation to this situation of inability to recruit professional men, I think that the difficulty is the cost of education, that is in so far as doctors and dentists are concerned. I agree with the hon. member for Simcoe East that the urgency in connection with dentistry is even greater than in connection with medicine. We are desperately short of dentists in this country. Unless we are prepared to do something to ameliorate the tremendous costs that fall upon people going into these two professions, then I think we are going to run short of practitioners. However, I would hate to believe that the fact we are getting fewer dentists and fewer doctors stems from a situation in which young people today are worried about the encroachment of the state. I would hate to believe that there are not still challenges and worth-while roles for young people in medicine and in dentistry.

I come back to the point again that I feel it is because the training is so long, so expensive and in a way so difficult, it is no longer attractive to very many young people who can get an easier education and a quicker means of earning their living today. The only way we can balance this situation is by giving greater incentives to people who are in training for both those professions.

The Deputy Chairman: I am sorry to inform the hon. member of this, but his time has expired.

Mr. Benidickson: It was not my intention to delay the estimates—

Mr. Monteith (Perth): If I might interrupt the hon. member, I would say that my own remarks would probably take until six o'clock, if that is his objective.

Mr. Benidickson: That is not my objective. Would the minister like to answer some of the questions and speak now?

Mr. Monteith (Perth): No, I would prefer to answer them all at once.

Mr. Benidickson: I would be pleased to sit down and allow the minister to reply to some of the questions that have been put this afternoon.

Mr. Monteith (Perth): If the hon. member has a question, I should be glad to hear it.

Mr. Benidickson: I would want to be assured that we would not, within 20 minutes, take any chance that there would be a hurried reply on the part of the minister to the very important questions that have been raised by so many members, including members on his own side this afternoon, when we are dealing with expenditures of $1.6 billion. I have remained seated after having spoken earlier today until all other members had an opportunity to make their first remarks in connection with this opening item of this department.

I did not have time this morning under the rules to raise a question that disturbed me after I looked at the white paper presented in connection with the budget this year. I refer to certain tables which relate to the Department of National Health and Welfare found on page 81 of that white paper. In these tables one can find the federal government share of old age assistance, disabled persons' allowances, blind persons pensions and unemployment assistance. The minister and I both represent constituencies in the province of Ontario. Only two or three days ago I observed some of these figures. I rise again because I felt it very important to ask the minister to explain why Ontario, with a larger population than that of the province of Quebec, seems to have received a disproportionate amount in connection with these matching grants related to federal statutes.

I refer to old age assistance in the province of Quebec, the same federal formula being applicable all across Canada, and I notice that the province of Quebec asked the federal government for $10.8 million for these needy people in 1960-61 and received $10.8 from Ottawa. The benign Mr. Frost of Ontario, who has created for himself very sucessfully an image of benevolence, kindness and so on, heads a larger population. I assume, there is in Ontario an equal proportion of needy people in the age group that would ask for old age assistance, under his administration. Claims are advanced from Ontario to the federal government of only $6.7 million. I thought perhaps the minister would explain why this has occurred. I believe that the opportunities are the same in each province.

Then when one comes to the disabled persons' allowances, with the same understanding that the population in Quebec is smaller than is the population in Ontario, one wonders why under a national basis offer made to Ontario as well as to Quebec, Ontario asked for only $3.9 million of contributions from Ottawa for disabled persons in the year ended March 31, 1961, as compared with $8.5 million given to the province of Quebec.

If one looks at blind persons' allowances, one finds this. According to this latest white paper presented by the Minister of Finance in the province of Ontario with a population, as I repeat, which is larger than that of the province of Quebec, the Frost government seemingly applied for grants in this category of $800,000 compared with applications from the province of Quebec and granted in the sum of $1.5 million. I am not going to deal with the next column of the statistics in the budget white paper.

Mr. Broome: Go ahead.

Mr. Benidickson: Would you encourage me to do so? All right, the next column of statistics refers to unemployment assistance.

Mr. Regnier: Mr. Chairman, may I ask the hon. member a question.

Mr. Benidickson: Yes.

Mr. Regnier: By those figures does the hon. member imply that there are more blind people in Ontario than there are in Quebec?

Mr. Benidickson: I think perhaps the hon. member for St. Boniface was casting a personal aspersion. But putting that matter aside, I wish to say that I do not believe that. I believe that there is the same entitlement or the same amount of people in Ontario who are needy, or who might be entitled under old age assistance, who are handicapped because of blindness, who perhaps have the physical handicaps that give them entitlement under a law passed by a Liberal government giving disabled persons allowances. I think that in a quantitative way the situation would be the same physically in one province as in another. My point is that these requests for help for these people must be funnelled through provincial agencies. I say that the figures indicate that in Ontario today there seems to be a harsher measure of examination of the entitlement of these needy people than would seem to be

the case in the province of Quebec. I would hope that the minister perhaps later would say something about this matter.

With regard to the column that I have been challenged now to speak about, namely that relating to unemployment assistance—

Mr. Cardiff: Will the hon. member permit a question?

Mr. Benidickson: Yes.

Mr. Cardiff: Will the hon. member give us the figures that were in the vote four years ago?

Mr. Benidickson: I should like to assure the older parliamentary secretary to the Minister of Agriculture that four years ago we had the same government in Ontario as now and no person who needs old age assistance, no disabled person or no blind person can get anything under the legislation that the former Liberal federal government provided unless he has what I would regard as a reasonably kind government in the province. The provincial government must advance to the federal government its request for assistance under this welfare legislation. I say that these figures indicate that the great old province of Ontario, with its big population, seems to fall behind the province of Quebec and every other province relative to population according to the table. I say that Mr. Frost must answer to the old age assistance applicant, to the disabled and to the blind as to why there are fewer successful applicants in Ontario for this kind of benefit which was put on the statute books by the federal Liberal government years ago and why they have less opportunity to derive the benefits than seemingly is possible in the province of Quebec.

Mr. Martineau: Will the hon. member permit a question?

Mr. Benidickson: Yes.

Mr. Martineau: Has the hon. member any figures as to the number of rejections of applications for the social allowances in the province of Ontario?

Mr. Benidickson: May I say this to the parliamentary secretary to the the Prime Minister who is an intelligent man, I know. Surely, it would appeal to him as I think it would appeal to all in the country that these figures speak for themselves. There are surely the same number of needy people between the ages of 65 and 70, relative to population in the province of Ontario as there are in the province of Quebec. I do not imagine that there are more blind people—and I say this in answer to the Prime Minister's parliamentary secretary and to the hon. member for St. Boniface—in Quebec than there are in Ontario. With regard to the disabled and the need for taking advantage of what the former Liberal government provided in legislation of this nature some time ago, in co-operation with the provinces, I say that it is unlikely that the situation en masse would be any different in the province of Ontario than it would be in the province of Quebec.

Mr. Martineau: Will the hon. member permit another question?

Mr. Benidickson: Yes.

Mr. Martineau: Does he know of any specific cases in Ontario in which these applications have been refused?

Mr. Benidickson: Of course I do. I am a resident of the province of Ontario. I am in public life, and I receive from my constituents applications for the benefits that were provided in federal legislation by the former Liberal government that made possible these disability pensions, our old age assistance, these blind pensions, etc.

Mr. Broome: What are you doing with them?

Mr. Benidickson: Because of our constitution I am obliged to say to my constituent that he must utilize the welfare organization of the province in each county of my province. What I am disturbed about is that apparently the welfare officials in Ontario who must know of the availability of the federal grants, are instructed in Ontario at some level on a sterner, harsher basis than would appear to be the situation in connection with the province of Quebec. I observe that the figures show that the province of Quebec has requested from the federal government and the minister and received grants under the same legislation that according to population, are disproportionate. I think this is a very serious challenge.

Mr. Broome: You mean they want more?

Mr. Benidickon: Who wants what?

Mr. Broome: Quebec; that is what you are saying.

Mr. Benidickson: No. I say that here we have legislation for the needy, the most needy people in our land; those who are without assets and without jobs at 65 years of age and before they get the old age security pension automatically. I refer to the people who are disabled, those people who are unfortunately blind, those who are unemployed, and I say that federally we must have a standard that is applied from coast to coast.

Mr. Broome: Do you not believe that standard applies to blind people right across

Canada? Are you saying that blind people in Ontario are not treated as well as blind people in Quebec?

Mr. Benidickson: I am saying that these figures indicates that going through the crucible—

Mr. Broome: The which?

Mr. Benidickson: The crucible—

Mr. Broome: What is that?

Mr. Benidickson: —of administrative provincial screening—I think the hon. member knows what that means—and considering the attention that must be given administratively under the government of Premier Frost of Ontario, it would appear there is less likelihood of an applicant for old age assistance, a disabled person or a blind person getting as kind or as careful attention as he would get if he happened to reside in the province of Quebec and made his application in that province. The figures bear that out.

Mr. Broome: Would the hon. member permit a question? Would he mind telling the committee when the hon. member for Essex East will be back?

An hon. Member: Not today.

Mr. Benidickson: That is completely irrelevant. Mr. Chairman, I think I have provided a good summary of what the statistics tell us when we look at page 81 of the white paper attached to the budget of the Minister of Finance presented on Tuesday, June 20.

Mr. Horner (Acadia): Five more minutes to go.

Mr. Benidickson: I think that I have made a very serious indictment—

Mr. Broome: You have talked it out.

Mr. Benidickson: —as to the examination in Ontario of these applications, in kindness and consideration, with regard to what the federal laws provide when I recite—

Mr. Broome: The crucible.

Mr. Benidickson: —the final expenditure figures in all these welfare categories comparing Quebec with the province of Ontario. In his opening statement the minister did refer to the fact that, perhaps for the first time, the old age assistance fund was coming into balance. It is true, Mr. Chairman, that it did come into balance this session, but it came into balance only because of a financial trick typical of the Minister of Finance.

I raised this matter a year ago. Until the budget last year never before has a minister of finance of this country refrained from taking into his budgetary expenditures the deficit in the old age security account. This Minister of Finance did not do that a year ago.

Mr. Hodgson: We are on the estimates of the Department of National Health and Welfare.

Mr. Benidickson: And as a result of doing that, $28 million was put out of the budget for 1960-61. That was, of course, to achieve his objective of having a $12 million surplus last year when the minister presented his accounts. If one looks at the report of the Department of National Health and Welfare and the old age security fund, one finds that this deficit to which I referred a year ago, which I complained about a year ago, has not been recovered in the budget accounts of 1960-61.

An hon. Member: Six o'clock.

Mr. Benidickson: I say in addition, Mr. Chairman, that we want some of these questions answered by the minister. I think they are very important. We expect a more realistic report from the minister regarding the relationship of his department to the care of human beings across this land. Before we conclude the discussion on item No. 1 I wish to hear the minister's explanation of the relationship between the unemployment insurance fund and sickness. This question has been raised on previous occasions. Are we going to revise the Unemployment Insurance Act?

Mr. Monteith (Perth): Do you mean unemployment insurance, or unemployment assistance?

Mr. Benidickson: Are we going to have this bankrupt unemployment insurance fund revised during the current session? It has gone down from $900 million to $100 million in four years. In the amendments that will be necessary to revise it, are we going to have the opinion of the Minister of National Health and Welfare? Will we have some recognition of the fact that we should have co-ordination between his department and the labour department and that there should be coverage for those who are unemployed by reason of ill health? Mr. Chairman, may I call it six o'clock.

The Deputy Chairman: Shall vote 255 carry?

Mr. Martin (Timmins): Mr. Chairman, as I have a few remarks to make on this item, I wonder whether we might call it six o'clock.

Mr. Horner (Acadia): The Liberals like to hold up the house.

Progress reported.

BUSINESS OF THE HOUSE

Mr. Chevrier: Mr. Speaker, last evening the house leader indicated what the business would be for Monday and Tuesday. I presume there is no change. I wondered whether we could be told the business for Wednesday.

Mr. Churchill: Mr. Speaker, I will repeat the business as announced. On Monday we will start off with second reading of Bill No. C-114, an act respecting the Bank of Canada, followed by the resolution in the name of the Minister of Transport. The third item will be the resolution in the name of the Minister of Finance dealing with the industrial development bank.

I think we will have to see what progress we make on Monday before announcing the business for Tuesday and Wednesday. It might be that we will continue with the budget debate, but I would prefer to leave it open until the announcement of the business on Monday night.

Mr. Chevrier: Mr. Speaker, may I just remind the house leader of this fact. Did he not indicate that on Tuesday we would be resuming the budget debate?

Mr. Churchill: I said that was likely, but it is not possible at this stage of the session to determine too far in advance exactly what we will be taking up, because we are not certain how long the session may last.

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

ANSWER TO QUESTION

The following answer, deposited with the Clerk of the house, is printed in the official report of debates pursuant to standing order 39:

LABOUR-MANAGEMENT PRODUCTION COMMITTEES

Question No. 258—**Mr. Pitman:**

1. When did the Department of Labour first hire field men for the purpose of setting up labour-management production committees?
2. What was the peak number of persons employed on this type of work during the last war?
3. What was the low peak, and the date, of the number of persons employed on this type of work in the labour-management co-operation service since the war?
4. If increases in the number employed on this work have been made since the low peak after the war, what were the numbers involved, and on what dates?
5. What was the cost of maintaining this service for the years 1944, 1950, 1956, 1960?

Answer by: **Hon. Michael Starr (Minister of Labour):**

1. The Department of Labour first hired field men for the purpose of setting up labour-management production committees in 1944, following establishment of the industrial production co-operation board by P.C. 162 of January 18, 1944.

2. The peak number of persons employed on this type of work during the last war was 20 in 1945.

3. The low peak of the number of persons employed on this type of work since the war is 11 in 1961.

4. Not applicable (see answer to 3 above).

5. The cost of maintaining this service was $72,461 in 1944-45, $127,000 (estimated) in 1950-51, $143,297 in 1956-57 and $162,750 in 1960-61.

HOUSE OF COMMONS

Monday, June 26, 1961

The house met at 11 a.m.

HOUSE OF COMMONS

WELCOME TO PRIME MINISTER OF JAPAN AND PARTY

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, by leave of the house I should like to mention the presence in the gallery of various distinguished visitors including Hon. Hayato Ikeda, the Prime Minister of Japan, and his charming wife. The Prime Minister is accompanied by the foreign minister, Hon. Mr. Kosaka. This is the first visit the Prime Minister has made to Canada, and because of his very busy schedule his visit will be brief. It is my hope that a further opportunity, not too long removed, will again bring him to our country to enable him to know Canada and the Canadian people better.

The Prime Minister of Japan, together with the foreign minister and the Secretary of State for External Affairs, and I have had useful talks this morning with respect to matters of common interest and concern. Canada's relations with Japan have been, as the house knows, particularly close in recent years. We have a similarity in approach to international problems; we have close and ever increasing mutual relations in trade. Indeed, during the past four years the increase in trade between our countries has amounted to 40 per cent. Last year the total trade between Canada and Japan was almost $290 million, and I believe it will continue to expand to the mutual benefit of both our countries.

Within the past two or three years there has been an increasing number of Canadian visitors to Japan and Japanese visitors to Canada. The result has been an improvement in the understanding that each country has of the other. Another, but not the least, of the links between our countries is the fact that some 26,000 Canadian citizens who are making valued contributions to Canadian society, industry, the arts and professions are of Japanese origin, deriving much of their cultural heritage from Japan, Canada's nearest neighbour across the Pacific.

I believe, and that belief is intensified on each occasion I meet with leaders of the various countries, that these meetings are most valuable. Particularly is that so at this time. Close co-operation is necessary among the leaders of the countries which believe in democracy because, if Mr. Khrushchev is to be believed, we are now entering into the potentially momentous remaining six months of this year which will be of great importance to the nations everywhere in the world, and in particular to those who believe in the maintenance of democracy and parliamentary government and those abiding principles to which Japan now gives its adherence.

I wish, therefore, to express a very wholehearted welcome to the Prime Minister. I can say this: having talked with him yesterday and today, I believe Japan has a leader wise and far seeing, who is dedicated to the principles of democracy.

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, we on this side in the opposition share wholeheartedly and most warmly the welcome that has been so fittingly expressed by the Prime Minister to the Prime Minister of Japan, his wife, the foreign minister and all the members of his party. I am sure all Canadians also want to share in that welcome.

One of the happiest developments, I think, since world war II has been the growth in political and economic relations between our two countries. We all hope there may be even a strengthening in these political relations and an expansion in these economic relations. Japan and Canada are two Pacific countries now in more than a geographic sense. We stand together in the Pacific, in the United Nations and indeed in the world for freedom, democracy and peace.

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, this group joins with the Prime Minister and the Leader of the Opposition in extending a hearty welcome to the Prime Minister of Japan and his colleagues, and through him sends greetings to the people of his country.

As a member of the Canadian delegation to the interparliamentary union meeting held in Tokyo last fall I, with the other members of the delegation, will long remember with great satisfaction our visit to a beautiful and hospitable country. Our association with the Japanese people left us all filled with admiration for their progressive ideas, their industry, their charm and their unmatched

hospitality. I think I can best express the feelings of the Canadian delegation by saying this:

> When Time, who steals our years away,
> Shall steal our pleasures, too,
> Fond memories of those days will stay
> And half our joys renew.

On behalf of this group, Mr. Speaker, I express the hope that the visit to Canada of the Prime Minister of Japan and his colleagues will strengthen the ties between our nations and will result in agreement on economic and other matters that will further cement and strengthen our present bonds of understanding and friendship.

COMMITTEES OF THE HOUSE

Third report of special committee on research—Mr. Murphy.

First report of special committee on the Civil Service Act—Mr. MacLellan.

BANK OF CANADA

ANSWER TO STARRED QUESTION NO. 420 RESPECTING PENSION PLAN

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, this is not the day on which starred questions are called, but on Saturday the hon. member for Bonavista-Twillingate asked me if I would endeavour to bring to the house, prior to today's debate, the answer to starred question No. 420. I would be prepared to do that now if I have leave of the house to do so.

Mr. Speaker: Has the minister leave to answer the starred question at this time?

Some hon. Members: Agreed.

Mr. Fleming (Eglinton): The question is as follows:

Question No. 420—**Mr. Pickersgill:**

1. Has the Bank of Canada a contributory pension plan for its staff?
2. When was this plan established?
3. Is any contribution made to the pension plan from the federal treasury?
4. Is Mr. J. E. Coyne a contributor to the pension plan?
5. If so, when did he begin to contribute, and what percentage of his salary has he contributed in each year since that date?
6. Is there any statutory authority for the supervision of the pension fund of the Bank of Canada by the Minister of Finance or any other minister, and, if so, what is the authority?

Mr. Fleming (Eglinton): Mr. Speaker, there are six parts to this question. The answers to the first five are suplied by the Bank of Canada and I am supplying the answer to the sixth one. The answers are as follows:

1. Yes.
2. March 12, 1936.
3. No.

4. Yes.
5. In accordance with the provisions of the pension fund rules, Mr. Coyne's contributions commencing from the time of joining the bank on February 7, 1938, have been at the following rates:

February 7, 1938 to December 31, 1949—5 per cent of his salary.

January 1, 1950 to December 31, 1953—10 per cent on the first $15,000 of his salary.

January 1, 1954 to December 31, 1956—12 per cent on the first $25,000 of his salary.

January 1, 1957 to February 15, 1960—6 per cent on the first $25,000 of his salary.

February 16, 1960 to date—6 per cent on the first $40,000 of his salary.

With regard to No. 6, Mr. Speaker, this is a matter of legal interpretation.

MOTIONS FOR PAPERS

BANK OF CANADA MONETARY POLICY

Motion No. 151—**Mr. Herridge:**

For a copy of all correspondence, telegrams, and other documents exchanged since January 1, 1960, between the government and the chartered banks, any organization, or person or persons, regarding the monetary policy being pursued by the Bank of Canada.

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, subject to a matter of interpretation there will be no objection taken to the passing of this motion. However, in case there is question about the implications of the words "any organization, or person or persons" I would have to stipulate, in the light of decisions taken by the house last week and having regard to the fact that communications between the government and the Bank of Canada are confidential, that those words do not include the Bank of Canada.

Mr. Herridge: Mr. Speaker, the word "organization" is used in my usual innocent sense as meaning private organization.

Mr. Speaker: Subject to the explanation given, is it the pleasure of the house to adopt the motion?

Motion agreed to.

BY-PASS ROAD, TERRACE AIRPORT, B.C.

Motion No. 152—**Mr. Howard:**

For a copy of all correspondence, telegrams, and other documents exchanged between the federal government or any agency or branch thereof, and any other person or government since January 1, 1960, dealing with the construction of a by-pass road at or in the vicinity of Terrace airport, B.C.

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, there is no objection to this motion, subject to the usual reservation as to the consent of the province to the production of any correspondence there may have

been between the government and the province of British Columbia.

Mr. Speaker: Subject to the reservation, is it the pleasure of the house to adopt the motion?

Motion agreed to.

BY-PASS ROAD, TERRACE AIRPORT, B.C.

Motion No. 153—**Mr. Howard:**

For a copy of all directives or instructions issued by the Department of Transport to any of its officials or employees since January 1, 1960, dealing with the construction of a by-pass road at or in the vicinity of Terrace airport, B.C.

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, this motion calls for the production of any directives or instructions issued by the department to any of its officials or employees since January 1, 1960 regarding certain road construction.

I would point out that it has been the long established practice of this house that correspondence of this type, that is intradepartmental correspondence or documents, have always been regarded as privilege. Therefore in the circumstances I would ask the hon. member if he would withdraw his motion.

Mr. Howard: Mr. Speaker, it seems to me that directives or instructions are things which normally might reflect government policy. I have reason to believe there is some divergence between policy and directives issued in this case, and I think the motion should be put.

The house divided on the motion (Mr. Howard) which was negatived on the following division:

YEAS

Messrs:

Fisher
Herridge
Howard
Martin (Timmins)
Peters
Pitman
Regier
Winch—8.

NAYS

Messrs:

Aiken
Badanai
Balcer
Baldwin
Barrington
Baskin
Batten
Bell (Carleton)
Bell (Saint John-Albert)
Benidickson
Best
Boulanger
Bourdages
Bourque
Broome
Browne (Vancouver-Kingsway)
Brunsden
Cadieu
Campbell (Lambton-Kent)
Campeau
Cardiff
Cardin
Caron
Carter
Chambers
Charlton
Chevrier
Churchill
Clancy
Clermont
Coates
Comtois
Crestohl
Crouse
Danforth
Deschatelets
Diefenbaker
Dinsdale
Dorion
Doucett
Drouin
Drysdale
English
Fairclough, Mrs.
Fairfield
Fane
Fleming (Eglinton)
Forbes
Forgie
Fulton
Gillet
Grafftey
Gundlock
Habel
Halpenny
Hamilton (Notre Dame de Grace)
Hamilton (Qu'Appelle)
Hanbidge
Harkness
Hees
Henderson
Hicks
Hodgson
Horner (Acadia)
Howe
Jones
Jorgenson
Jung
Kennedy
Knowles
Korchinski
Kucherepa
LaMarsh, Miss
Lambert
Leduc
Lessard
Loiselle
Macdonald, Mrs.
Macdonnell
MacEwan
MacLean (Queens)
MacLellan
Macquarrie
McBain
McFarlane
McGee
McGrath
McIlraith
McLennan
McMillan
McPhillips
McQuillan
Mandziuk
Martel
Martin (Essex East)
Martineau
Martini
Matheson
Matthews
Meunier
Milligan
Mitchell
Monteith (Perth)
Montgomery
More
Morris
Muir (Cape Breton North and Victoria)
Muir (Lisgar)
Murphy
Nasserden
Nesbitt
Nixon
Noble
Nugent
O'Hurley
O'Leary
Ormiston
Pascoe
Paul
Payne
Pearson
Phillips
Pickersgill
Pigeon
Pugh
Rapp
Regnier
Roberge
Robichaud
Robinson
Rogers
Rynard
Sevigny
Smith (Calgary South)
Smith (Lincoln)
Smith (Winnipeg North)
Southam
Starr
Stefanson
Tardif
Tassé
Thrasher
Walker
Webb
Weichel
White
Woolliams
Wratten—148.

BUSINESS OF THE HOUSE

INQUIRY AS TO SUMMER RECESS

On the orders of the day:

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, I wonder whether the Prime Minister can give the house some indication of the plans of the government for the business of the session in the days immediately ahead.

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, I would say to the Leader of the Opposition that the government has given some thought to this matter. I have found on the part of members in all parts of the house a desire to have available

to them the summer months of July and August. However, there are some—

Some hon. Members: Hear, hear.

Mr. Diefenbaker: Mr. Speaker, for just a moment until that belated interruption I was almost convinced that I did not have the feeling of the house in this regard. There are some matters that must be dealt with before we adjourn. I have in mind, if the house agrees, to adjourn until some date in September, but before adjournment takes place there are certain matters which will require to be dealt with. In that connection I might point out that there is the budget, and the resolutions and bills under the budget. Second, there is the Canadian National Railway financing bill, which cannot be postponed. Then there is the question of dominion-provincial fiscal relations. There is a tariff bill dealing with goods and commodities of a class or kind similar to those produced in Canada, which was passed by the house and found its way to the other place where it was amended. Finally there is something that I omitted to give consideration to earlier, the need of providing interim supply in respect of those departments that have not received attention or have not been fully dealt with. There is also a short matter connected with the supplementary estimates having to do with the provision of the necessary funds for assistance in Cape Breton, and another item dealing with war veterans allowances.

I would hope that if we apply ourselves to these items and deal particularly and fully with those in respect of which there is disagreement, the date of adjournment will not be long delayed.

Mr. Pearson: Mr. Speaker, in thanking the Prime Minister for the information I wonder if he will permit me to ask him whether he does not think, in view of what he has said, that the recess which the house has so richly earned is likely to begin about the proposed date of reassembling.

Mr. Diefenbaker: Mr. Speaker, in the same spirit in which the question was asked I say to the hon. gentleman that while governments naturally begin sessions, oppositions end them.

TRADE

REPORTED PLAN FOR SALE OF U.S. AGRICULTURAL SURPLUSES

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I wish to address a question to the Minister of Agriculture. In view of the announced change of policy by the United States department of commerce which will permit the sale of subsidized farm surpluses to the Soviet union and her European neighbours, and in view of the fact that Mr. C. W. Gibbings, president of the Saskatchewan wheat pool, has called the United States change of policy a new threat to Canadian wheat producers, is the minister in a position to inform the house what effect this change of policy will have on Canadian overseas wheat sales?

Hon. Alvin Hamilton (Minister of Agriculture): Mr. Speaker, it is our understanding that the announcement made by the United States government relates to the sale of agricultural products on a commercial basis to European communist nations. It is impossible to state what effect such a policy will have on Canadian sales in this area. Canada will, of course, continue to make every effort to maintain and increase our sales to these European countries in competition with all other exporters, including the United States.

If the hon. member is talking about public law No. 480, it is our understanding that it does not apply to this particular announcement by the United States government.

COAL—CONTINUATION OF SALES FROM ALBERTA MINES TO JAPAN

On the orders of the day:

Mr. Eldon M. Woolliams (Bow River): Mr. Speaker, I should like to direct a question to the Minister of Trade and Commerce. In view of the fact that the Prime Minister of Japan and other delegates are here, I wonder whether real consideration can be given when they are discussing questions of trade between Canada and Japan to the continuation of coal sales from the province of Alberta to Japan.

Hon. George H. Hees (Minister of Trade and Commerce): Mr. Speaker, I feel sure that this important matter will be considered during the discussions which will take place today.

HOUSING

C.M.H.C.—MORTGAGES SOLD IN 1960-61

On the orders of the day:

Hon. D. J. Walker (Minister of Public Works): Mr. Speaker, for the purpose of clarification may I ask the indulgence of the house to refer to a question asked on Thursday last, as reported at page 6860 of *Hansard* for that day, by the hon. member for Nipissing concerning my answer in reply to his question of the previous day appearing at page 6849 of *Hansard* with regard to the sale of mortgages to approved lenders, investment dealers and ultimately the public in 1960.

I wish to reiterate that no sales of this kind had been made in 1960 and 1961 until the first offering. However, the trustees of Central

Mortgage and Housing Corporation's pension fund, believing that this fund should give a lead to other pension funds in its holdings of insured mortgages, have in recent years bought such mortgages from the corporation itself. This amounted to $403,000 in 1960 and $928,000 in 1961.

In the context of the hon. member's question concerning general offerings to approved lenders and other institutions I had, of course, indicated that this was the first such auction.

EXTERNAL AFFAIRS

IRAQ—REPORTED CLAIM TO SHEIKDOM OF KUWAIT

On the orders of the day:

Hon. Paul Martin (Essex East): Mr. Speaker, may I ask the Secretary of State for External Affairs, in view of the implications involved, whether he has anything to say about the announcement made by Prime Minister Kassem of Iraq regarding the taking over by Iraq of the newly independent sheikdom of Kuwait.

Hon. Howard C. Green (Secretary of State for External Affairs): Yes, Mr. Speaker. As members of the house are aware, the United Kingdom government announced on June 19 that it had signed an agreement with the ruler of Kuwait cancelling the Anglo-Kuwait agreement of 1899 which recent developments had rendered obsolete and inappropriate. The exchange of notes between the United Kingdom and Kuwait by which this was effected, however, stated that relations between the two countries would continue to be governed by a spirit of close friendship, and reaffirmed the readiness of the United Kingdom government to assist Kuwait if the government of Kuwait should so request.

We have not yet received any official reports on the statement reportedly made in Baghdad yesterday by Prime Minister Kassem in which he laid claim to Kuwait as an integral part of Iraq. If, indeed, a dispute does exist between Iraq and Kuwait, I should naturally hope that the parties concerned would refrain from any action which would exacerbate the situation, and that the recognized international procedures would be followed for a peaceful settlement.

It so happens that our ambassador to Lebanon, Mr. Beaulieu, is now in Baghdad in the course of presenting his credentials as the newly appointed ambassador to Iraq.

Mr. Martin (Essex East): Mr. Speaker, I should like to ask a supplementary question. Has Canada any treaty commitments with Kuwait?

Inquiries of the Ministry

Mr. Green: Mr. Speaker, I do not know the answer to that question off hand but I will get the information for the hon. member.

GRAIN

INQUIRY AS TO QUOTA POSITION

On the orders of the day:

Mr. E. Nasserden (Rosthern): Mr. Speaker, may I direct a question to the Minister of Agriculture. In view of the fact that there are still approximately 100 delivery points with a 4 bushel quota, could he indicate the progress being made with regard to box car allocations and quotas at these points, leading to the end of the crop year?

Hon. Alvin Hamilton (Minister of Agriculture): Mr. Speaker, although speaking from memory I think the figure for June 19 was 103 points on a 4 bushel quota. Since that time there have been some changes, and I should hope the report due this morning will show that these points are off the 4 bushel quota. It is the expectation of the Canadian wheat board that nearly all points in western Canada, some time in the first ten days of July, will be on the 6 bushel quota and that we will then be able to strive for a 7 bushel quota for as many places as possible.

NORTHERN AFFAIRS

CANADIAN MARCONI COMPANY—LETTER RESPECTING NON-FRATERNIZATION

On the orders of the day:

Mr. Frank Howard (Skeena): Mr. Speaker, I should like to direct a question to the Minister of Northern Affairs and National Resources. On June 3, 1961 I asked the minister the following question, as reported at page 5805 of *Hansard* for that date:

> I should like to ask the Minister of Northern Affairs and National Resources if he has yet received a reply from Mr. Finlayson, president of the Canadian Marconi Company to the letter sent by the minister regarding the so-called non-fraternization clause in the contracts of employees of the company and, if so, whether he would be prepared to table it.

His answer at that time was that he had not as yet had any reply. I wonder whether the minister since received a reply from Mr. Finlayson.

Hon. W. G. Dinsdale (Minister of Northern Affairs and National Resources): Yes, Mr. Speaker, I received a reply from Mr. Finlayson in which he requested further clarification on the matter. I have in turn replied to him pointing out that the present administration is encouraging the best possible intercultural relationships, and that it is our intention to provide equal opportunities and rights for all Canadians everywhere and to remove any

element of discrimination that existed in the past under the former administration.

Mr. Howard: I should like to ask a supplementary question. The correspondence prior to this date was tabled in the house by virtue of a motion for the production of papers, and I wonder whether the minister would be prepared to table these letters as a matter of courtesy rather than having to go through the formality of a notice of motion for production.

Mr. Dinsdale: Mr. Speaker, the subject is a matter of current discussion, and I think on that basis I should have to delay compliance with the hon. member's request.

POST OFFICE DEPARTMENT

REGULATIONS RESPECTING INVITATION CARDS TO ONTARIO YOUNG LIBERALS

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I wish to address a question to the Postmaster General relating to postal regulations. My question results from a resolution adopted by the Ontario young Liberal association last Saturday urging that efforts be made to seek an alliance with the C.C.F.-New party. This resolution causes us some concern, Mr. Speaker. My question is, in view of the possibility of thousands of invitations and greeting cards being sent to members of the young Liberal association, could the minister inform the house whether these cards should be sent first, second, third or fourth class mail?

Hon. W. M. Hamilton (Postmaster General): Mr. Speaker, in view of some of the attitudes of Her Majesty's opposition I would think that any invitation to join the socialist party would be somewhat redundant at the present time. If the invitations are to be sent I should think they might go as third class mail, because it includes "matter which is wholly in print without reference to process", and such things as "plans without specifications", "reproductions obtained by a multiplying process, easy to recognize", and "miscellaneous articles such as pathological objects rendered harmless by the mode of preparation and packaging".

Mr. Speaker: It sounds to me like a conspiracy.

PUBLIC SERVICE

POSTAL DIRECTOR, DISTRICT NO. 2—BILINGUAL REQUIREMENT

On the orders of the day:

Mr. Alexis Caron (Hull): Mr. Speaker, I should like to put a question to the Postmaster General.

[Mr. Dinsdale.]

Could the minister explain to the house how it is that in a competition for advancement to the position of director of district No. 2, which covers part of Pontiac county, the counties of Gatineau and Hull, and part of the counties of Labelle, Argenteuil, Glengarry-Prescott, Russell, Stormont, etc., where French Canadians form the greater part of the population, the incumbent is not required to be bilingual?

Hon. W. M. Hamilton (Postmaster General): I shall take this question as notice, Mr. Speaker, and provide an answer tomorrow for the hon. member.

AIR TRANSPORT

APPLICATION OF U.S. COMPANY TO OPERATE SERVICE INTO CANADA

On the orders of the day:

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, on Friday last the hon. member for Fort William asked whether a licence had been granted to Aero-Flight Service Incorporated of Minneapolis to operate an air service into Saskatchewan, Manitoba and northwestern Ontario. I am advised by the air transport board that an application has been made by Aero-Flite Service Incorporated for a licence to operate a class 9-4 international non-scheduled charter commercial air service from a base at Minneapolis, Minnesota, to points in Saskatchewan, Manitoba and Ontario, using group C aircraft. The application was advertised on June 15 and is being processed in the normal manner. A decision by the board has not yet been given.

IMMIGRATION

MRS. MALONEY—STATEMENT ON REPORTED DANGER OF DEPORTATION

On the orders of the day:

Hon. Ellen L. Fairclough (Minister of Citizenship and Immigration): Mr. Speaker, a question was asked on Saturday by the hon. member for Burnaby-Coquitlam. The answer is as follows.

On April 14, 1961 Mrs. Frances Maloney, a citizen of the United Kingdom and colonies was ordered to be deported on the expiration of her prison sentence. Although there is no provision for an appeal against a deportation order such as the one issued to Mrs. Maloney, I ordered this case to be reviewed by the general board of immigration appeals. As a result of this review and because of information provided in the written representations of Mr. W. A. McLennan, M.P., I decided to suspend the order of deportation for a period

of six months to give this woman an opportunity to rehabilitate herself.

Mrs. Maloney was released from detention on Friday, June 23.

HOUSE OF COMMONS

REPORTED FINANCIAL IRREGULARITIES RESPECTING FORMER SECRETARY OF STATE

On the orders of the day:

Mr. Lucien Cardin (Richelieu-Vercheres): Mr. Speaker, I wonder whether the Prime Minister would care to comment this morning on the fact that the Canadian Parliamentary Guide for 1959 listed Mr. Courtemanche as a director and treasurer of l'Hôpital Jean-Talon, Montreal.

Mr. Speaker: I am not sure what administrative responsibility of the Prime Minister is involved in the Parliamentary Guide and what it contains.

Mr. Cardin: A few days ago, Mr. Speaker, we were told that all the ministers had been asked to resign from any participation as directors of companies.

Mr. Speaker: My recollection is that the hon. member asked this question last week and that I indicated to him that I did not think it was an appropriate question, that it was rather in the nature of an argument than a search for information.

Mr. Cardin: I had asked two questions the other day, Mr. Speaker, and you allowed the Prime Minister to answer the first one. Today I am asking another question which has to do with the Parliamentary Guide for 1959. If the question was allowed with regard to the Parliamentary Guide for 1960, I do not see why my question would not be allowed when I refer to the Parliamentary Guide for 1959.

Mr. Speaker: As I understand it the hon. member is asking the Prime Minister to comment on the contents of the Parliamentary Guide for 1959. Surely that is not an urgent matter. That Parliamentary Guide has been in publication for two years.

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, surely the hon. member is asking the Prime Minister to comment on a fact which appears in the Parliamentary Guide and which appears to be in conflict with a statement by the Prime Minister about government policy on the matter.

Mr. Speaker: Then I suggest that the hon. member frame his question appropriately having regard to the Prime Minister's previous answer.

Mr. Cardin: In view of the statement made by the Prime Minister a few days ago concerning ministers of the crown not having directorships in companies, will the Prime Minister tell the house whether he feels that the listing in the Parliamentary Guide for 1959 which gives Mr. Courtemanche as a director and treasurer of l'Hôpital Jean-Talon, Montreal, is contradictory to the statement he made previously?

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, I think the hon. gentleman answered his own question when he quoted what I said, namely that the ministers were asked to remove themselves as directors of companies. The hon. gentleman realizes that, as an eleemosynary or philanthropic organization, a hospital organization does not come within the category of companies. I am surprised that he is so shocked that the Parliamentary Guide so records the fact after the experience we had through the years of ministers of the crown being directors of companies that were dealing with the previous government.

Mr. Pickersgill: Are we going to have a debate?

Mr. Cardin: I have a supplementary question. Would not the Prime Minister feel that an association such as a hospital that has direct dealings with the government in the form of subsidies—

Mr. Speaker: Order. I think the hon. member is entering into a debate on the point which the Prime Minister introduced himself.

Mr. Diefenbaker: I am glad that question was asked, Mr. Speaker, because it was answered the other day by the hon. member for Bonavista-Twillingate. There are no dealings with hospitals on the part of the federal government. The dealings are between the provincial government and the hospital. Each month, as I understand it, the provincial government states that certain advances are being made and then an account is sent to the federal government. There are no dealings as between the federal government and the hospitals.

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, the right hon. gentleman chose to bring my name gratuitously into this matter and to enter into a debate. I think I should remind the right hon. gentleman that this hospital was in receipt of federal grants at a time when a cabinet minister was its treasurer. Anything more improper is hard to imagine.

Mr. Speaker: Order. The hon. member is making gratuitous statements.

Inquiries of the Ministry

TRANSPORTATION

BRITISH COLUMBIA—REPORTED APPLICATION TO BUILD RAILWAY TO ALASKA BORDER

On the orders of the day:

Mr. Frank Howard (Skeena): Mr. Speaker, I wonder if I might direct a question to the Prime Minister. My question is based upon an article in *The Machinist* of June 22 relating to a railway route through northern British Columbia to Alaska. It reads in part as follows:

P.N.R.—

Meaning Pacific Northern Railway.

—also has applied to the Canadian government for a licence to build another 460 miles of track through Whitehorse to the Alaska-Yukon border.

I regret not having been able to send the Prime Minister notice of this question, but the matter just came to my attention. My question is this. Can the Prime Minister indicate whether the P.N.R. has made such an application? If, so what has been the disposition of the application?

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, I have no knowledge of that matter. The question is one that should be put on the order paper.

UNITED NATIONS

DISARMAMENT—INQUIRY AS TO RESUMPTION OF DISCUSSIONS

On the orders of the day:

Hon. Paul Martin (Essex East): May I ask the Secretary of State for External Affairs whether he can add anything further to what has been said regarding the disarmament talks between the two great powers. Has any development taken place since the question was asked a few days ago?

Hon. Howard C. Green (Secretary of State for External Affairs): Yes, Mr. Speaker. I have an answer ready for the hon. member for Essex East on this question also.

Hon. members are aware that these talks, which began on June 19, represent the continuation of discussions between the United States and the Soviet union which took place at the fifteenth general assembly. They are designed to prepare the way for the early resumption of general disarmament negotiations which Canada has been striving to achieve. Our understanding of the purpose of these talks is to settle the framework in which resumed disarmament negotiations would take place and procedural questions such as the composition of the negotiating forum.

As the house is aware, these negotiations are confidential in nature, but I can assure hon. members that Canada is in close consultation with United States authorities and that we are receiving full and detailed reports of the progress of the talks through our embassy in Washington.

SHIPPING

INQUIRY AS TO REGULATIONS RESPECTING SHIPBUILDING SUBSIDIES

On the orders of the day:

Hon. J. W. Pickersgill (Bonavista-Twillingate): I should like to ask the Minister of Transport whether the government has yet prepared the regulations governing the assistance for shipbuilding which was announced as a matter of urgency early in May.

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, just about a week ago I said in the house that these regulations should be ready within two weeks or ten days. They will be ready in accordance with what I said last week.

AGRICULTURE

EGGS—STATEMENT ON INTERIM DEFICIENCY PAYMENT

On the orders of the day:

Hon. Alvin Hamilton (Minister of Agriculture): On Friday, Mr. Speaker, the hon. member for Timiskaming asked a question about the interim deficiency payment on eggs. The support price for eggs is for the 12 month period October 1 to September 30. The accumulated weighted average price to producers for grade A large eggs for the 37 week period, October 3, 1960 to the week ended June 17, 1961 is 33 cents. The support price for eggs is a national average of 33 cents per dozen for grade A large for the 12 month period. There is therefore no basis for making an interim deficiency payment, since the accumulated average price received by producers to date is equal to the support price.

Mr. Speaker, I have made no secret of the fact that I am not entirely satisfied with the working out of the legislation in regard to eggs. I put this up to the advisory board at their last meeting last month. The advisory board is composed of representatives of farm organizations right across Canada. They unanimously recommended that I make no change in the price support for eggs until they had time to examine more carefully the experience of this year's operations.

BANK OF CANADA

CREATION OF VACANCY IN OFFICE OF GOVERNOR

Hon. Donald M. Fleming (Minister of Finance) moved the second reading of Bill No. C-114, respecting the Bank of Canada.

He said: Mr. Speaker, when I spoke on this matter in the house on June 14 I opened my remarks with this observation:

> I should prefer to speak on an occasion of this kind with restraint. I do not wish to add to the injury which I believe, and believe with deep regret, the governor of the Bank of Canada has done to himself. Least of all would I wish to see any prolongation of controversy, particularly political controversy, in relation to the Bank of Canada.

It is in that spirit, Mr. Speaker, that I speak today in moving second reading of this bill. First let me make it very clear that there has at no time been a personal aspect to the present issue. There has been an attempt in the press and elsewhere to dramatize this issue and picture it as a Coyne versus Fleming issue. It has been no such thing at any time. There is no personal element whatever in this issue, and there never has been.

I say that notwithstanding the fact that in the attacks which the governor has been making upon the government in recent days he has singled out the Minister of Finance for special mention. Let me make it very clear, Mr. Speaker, that throughout this entire situation I have acted as the spokesman of the government, on the instructions of the government, carrying out decisions of the government, decisions that were not lightly arrived at.

On the other side let me make it clear, Mr. Speaker, that the bank as such has not been involved save to the extent to which the governor has, I say improperly, embroiled it in a controversy that has assumed a political character. On the contrary, the board of governors of the bank has taken a clear line and the governor has acted in a manner diametrically opposed to the views expressed by the board of directors of the bank in a resolution passed on June 13.

Therefore this bill is not, as it has been represented in some quarters, the outcome of what is called a feud. There has been no feud. So far as I personally am concerned I have endeavoured to work with the governor of the bank in matters in which our respective positions required contact. Certainly this is not, as it has been represented in at least one journal, the outcome of "a long struggle for economic power between two men". Mr. Speaker, statements of that kind are simply nonsensical. So far as differences exist, and of course there are deep seated differences, there was no acrimony in these differences until the governor injected it in his attacks commencing on June 13.

The real issue presented to parliament, Mr. Speaker, is one not simply of government versus governor. It is that in the broad sense. It is more specifically an issue of government plus board of directors versus the governor. In a more complete sense it is the government serving the public interest, plus the board of directors serving the best interests of the Bank of Canada, versus the governor in his determination to cling to office, unwanted, for six months more.

I say, Mr. Speaker, and I speak with deep regret here, that after being afforded every opportunity to go quietly, decently and with dignity, the governor has chosen to force an issue before the public and into parliament. He has defied the government; he has defied the board of directors in the most deliberately provocative manner. In this situation either the governor must go, and go now, or the government must go.

Mr. Martin (Essex East): They should have gone long ago.

Mr. Fleming (Eglinton): Parliament must decide who governs this country.

Here, Mr. Speaker, let me refer to an observation appearing at page 2201 of the *Hansard* of the present session, an observation for which I am indebted to the Leader of the Opposition. He said:

> If the governor cannot agree with the general policy which the government desires him to implement, then the governor has no alternative, of course, but to resign.

Note the words:

> —the governor has no alternative, of course, but to resign.

Incidentally, Mr. Speaker, I did refer to that quotation when speaking in the house on June 14. I find there has been some liberty taken by the *Hansard* printers with the quotation and it reads, not that "the governor has no alternative, of course, but to resign", but that "the government has no alternative, of course, but to resign".

Mr. Pickersgill: How right they were.

Mr. Fleming (Eglinton): Perhaps the Leader of the Opposition might consider this an improvement, but it is not what he said on the occasion when I quoted him, at page 2201 of *Hansard*.

Mr. Pearson: Mr. Speaker, the minister is quite correct and I should have made that correction at the time. It is a regrettable inaccuracy.

Mr. Fleming (Eglinton): It was not a matter for correction by the Leader of the Opposition. This was my quotation of his speech on this occasion, so I do not hold him responsible. The governor of the Bank of Canada is not required to account to the sovereign electors of Canada for his administration, but the government is. We will not accept responsibility for the governor and his actions when we have lost all confidence in him. The government has no power, under the law of this

parliament, to remove the governor. That power is reserved to parliament, and to parliament alone. Parliament, sir, must now decide.

In presenting this bill to the house it has therefore been deliberately drawn in a form which will present the issue to parliament for determination in its clearest and most direct form. The measure is stripped of non-essentials and presents the house with the opportunity and the challenge to make a clear cut decision. The one clause in this bill reads:

The office of governor of the Bank of Canada shall be deemed to have become vacant immediately upon the coming into force of this act.

Mr. Speaker, it will be observed that effort has been made to deal with this issue in the measure as impersonally as possible. The governor is not mentioned by name. As I said, this measure presents the issue in a clear and direct form. Other questions can be resolved in due course and at the proper time. All other questions depend on the outcome of this issue before parliament. The issue presented by this measure is essential; the decision on it must precede anything else.

In the statement which I made on June 14 I laid certain facts before the house in relation to the matter. I shall enlarge somewhat today, though clearly and briefly, I hope, on the facts as they pertain to the issue now before the house.

When the present government came to office on June 21, 1957, the present governor of the Bank of Canada had already been in office for two and a half years. He had been associated with the tight money policy which we who now sit on the treasury benches had, when we were in opposition prior to 1957, attacked in parliament. Nevertheless, having come to office, we resolved to work with the governor as far as it was possible to do so. I have no wish to speak personally of the present governor. No one will ever say that he is an easy man to work with, but the government has done its best to work with him. He is a man of very great ability, but I think many people have found him sadly lacking in judgment and in ability to see the other person's point of view.

In the winter of 1957-58 I conveyed to him a request for an easing of the requirements respecting the liquidity reserves of chartered banks. That request, which was designed by the government to ease tight money, was rejected by the governor firmly and angrily. That sent me scurrying to the Bank of Canada Act—particularly in the light of things I had been arguing in this house while in opposition about the relationship of the Bank of Canada and the government in matters pertaining to monetary policy and money supply—only to find that parliament had there given the government no power over the bank in such circumstances. Hon. members will understand the effect of this situation in the light of subsequent events which I may take occasion to mention.

In his annual report for the year 1957, which reached me on the last day of February, 1958, or the first day of March, in the middle of an election campaign, the governor chose to insert a couple of paragraphs in which he firmly asserted that there had never been a tight money policy. I had to make the decision as to whether that report should be released to the public in the middle of an election campaign. The government was widely dispersed. It was customary to release the annual reports of the governor of the Bank of Canada in the month of March. I knew very well that if that report was released in the middle of an election campaign, assertions of that kind on a subject which was a burning issue in the 1958 election as well as in the 1957 election would be seized upon by the Leader of the Opposition and an endeavour made to make political capital out of them.

I had to make that decision, and I reached the decision to allow the release of that report in March, 1958, in the middle of the election campaign. I did not intend to have anyone tell me afterwards that I had endeavoured in any way to suppress views which had been put forward by the governor of the Bank of Canada. That report was released. It was broadcast and, of course, the anticipated result immediately followed. The report had not been public more than a matter of several hours before the Leader of the Opposition in that election campaign seized upon this political manna from heaven and sought to make political capital out of it.

I am sure there are those who will say, with the benefit of what we know since, that the government in those circumstances ought to have asked for the resignation of the governor at that time. The fact is that we as a government could not compel his resignation. Only parliament could do so. In the light of what has happened since, perhaps we ought to have taken steps at that time. Perhaps there were other occasions when we should have done so. I am sure that had we known our efforts to carry on and make the best of the situation would be frustrated, as they have been, and that this matter would eventually come before parliament for the kind of decision the house is being asked to make today, we should all have agreed it would have been better if this issue had been brought before parliament earlier.

We did hope for better relations and we desired, above all, to avoid creating controversy involving the Bank of Canada. We attached, as a government, the highest importance to the bank and its functions. It was a creation of a Conservative government. We recalled that under the previous governor and under the same statute there had been harmony and co-operation between the governor on the one hand and the government on the other, between the bank on the one hand and the public on the other. Therefore we resolved to carry on and hope for the best, knowing that the governor's term of office would in any event expire on December 31, 1961. Let me tell the house that as far as my responsibility is concerned I have done my best to carry on in a co-operative attitude.

In the field of debt management, the field for which the government holds responsibility, the governor of the bank has rendered to the government good service. In this field the bank operates as an adviser to the government and as its agent. It supplies technical assistance. The government takes full responsibility in this field. Often when advice was tendered we did not accept the recommendations so far as they related to interest rates or prices. Nevertheless I wish to make it very clear that the government takes full responsibility for what has been done in the field of debt management, and we have in respect of this field of operations made full use of the bank's very efficient facilities.

In the second place, in the field of foreign exchange operations, here again the Bank of Canada acts as the government's agent; and in this field, which is directed by Mr. Rasminsky, the deputy governor of the bank, the bank has operated very efficiently. The government, of course, takes full responsibility for what is done in this field.

Third, in the field of fiscal policy which is, of course, the government's responsibility, the bank, through the deputy governors, has been consulted on general aspects of budget policy in the writing of the budgets. It has never been the practice of the governor himhelf to sit in on these discussions. In this field I stress again that the responsibility is entirely that of the government.

Fourth, in the field of monetary policy, let me be very explicit. The government's relations with the governor of the Bank of Canada in regard to monetary policy and monetary operations have been set within the framework of the position which the governor took in that meeting to which I referred in the winter of 1957-58. The Bank of Canada has operated monetary policy, in full control of it. The government has had no control over monetary policy. The bank authorities were always willing to explain and defend their operations, but the policy followed was always the policy of the governor. The government had not determined it. Dealing with various criticisms which have been made during discussions in the house, I have endeavoured at all times to make it clear that the government was not to be associated with monetary policy for the reasons I have mentioned.

Until the autumn of 1959 the governor had not made a practice of making public speeches, but at that time be began to do so. For the next year and a half he made them with increasing force, frequency and fervour. Never was I or any other member of the government consulted at any time in any respect whatever in regard to the making of those speeches or their contents. They quickly attracted public attention, which increased with each of those public utterances, principally because they were devoted almost entirely to fiscal, not monetary, policy and thus entered upon one of the most controversial subjects in the whole political spectrum. The governor did not directly attack the government, but it was not long before the government was bearing the full weight of his criticisms and strictures. He contended time and again with ever increasing vehemence that the country was suffering from wrong fiscal policies and the absence of needed fiscal programs. Such, under our constitutional system, Mr. Speaker, are the responsibility of the government, not the responsibility of the Bank of Canada.

The press and the public quickly grasped the significance of the governor's criticisms. Indeed, everybody in Canada seems to have been well aware that the effect of those speeches was to direct criticism at the government; everybody seems to have been aware of this except the governor himself. The opposition in this house seized on the governor's statements and debated them in this house with a view to exploiting the embarrassment, the political embarrassment, which the governor was causing to the government. You have an example, Mr. Speaker, in the debate in this house on February 20 and 21 of this session. You have another example on March 22, in a discussion on the annual report of the governor. These statements of the governor were variously pictured by the opposition as government policy, which they were not, or as showing that the governor was at odds with the government; or they were made the occasion of taunting the government.

Perhaps, in the light of what has now happened, Mr. Speaker, the government should have intervened drastically earlier. However, we were very reluctant to attempt to place a curb on the governor, knowing well that in

the political atmosphere which was becoming more tense on the subject we might have been ourselves denounced by the governor or the opposition, or both, for attempting to muzzle free speech when it was critical of government policy.

It has to be remembered that the governor is not a civil servant but the official head of a most important public institution, so we endeavoured patiently to live with this situation hoping that the governor might adopt a wiser course, and one more in keeping with the responsibilities of his high office, or that December 31, 1961 might come soon. In the meantime the governor was being warned by members of the board of directors of the bank that the course he was pursuing was involving him and the bank in politics; as one director put it to the governor, involving the governor "right up to his neck in politics".

The governor did not yield to advice from this quarter to discontinue those speeches. I was receiving communications from investors in the United States, in the United Kingdom and Canada who were very disturbed by the governor's pronouncements against foreign investment in Canada. It was as difficult to explain to them that the governor spoke for himself alone and not for the government as it was for them to understand this fact. For example, in January of this year I made a speech in New York to the Canadian club of that city, designed to clarify Canada's attitude toward foreign investment and to reassure those investors in the United States who had investments in Canada, or who contemplated useful investments in Canada, as to this country's intentions and attitudes. In March the governor made a speech in New York which was interpreted to the very opposite effect from my speech in January.

I am sure I do not need to remind the house that the fiscal policies which the governor was advocating in his numerous public utterances were in their nature isolationist, bureaucratic, anti-American, centralizing. They could have done violence to our international obligations; they would have provoked retaliation against Canada by other countries; they would have increased taxes, restricted trade, increased the role of government in business in this country, and would have centralized more authority in the federal government at the expense of the powers and authorities of the provinces under our constitution.

The suspicion inevitably grew that he was building up some kind of case. His speeches seemed to fall more and more into a pattern openly challenging the government. The memorandum which he sent to me on February 16, and which he made public on June 19, bore in tone, content and timing all the earmarks of an indictment and challenge directed against the government. The appearance of creating self-serving evidence was very strong. I deliberately refrained from public comment on the governor's public utterances, accepting much unjustified criticism in consequence, and I did so for the sake of avoiding controversy affecting the Bank of Canada.

This, however, did not deter the governor from pursuing with undiminished vigour the same course which had given rise to controversy. It reached the point where I was frequently asked by serious people whether the governor was deliberately seeking to undermine the government. I was placed in the equivocal position of appearing to defend the governor because of my desire to preserve the bank from the weakening effects of harmful political controversy, while at the same time I disapproved strongly of the public course the governor was following.

That position could not continue. It was obvious that parliament and the Canadian public would be entitled at some time to expect from me an accounting for the position of the government in a situation in which the governor appeared to be openly challenging the government.

It was, even in the face of the views that many serious people expressed to me, hard for me to believe that a man in such circumstances would deliberately attack the government or seek to undermine it. Personally, for myself, at that time I expressed the view that the governor was not doing this for the deliberate purpose of seeking to undermine the government, but I did hold him responsible for the creation of this result, whether or not it was by deliberate design on his part. And in the circumstances, Mr. Speaker,—and for this I have no apology to make to anyone—I could no longer give the governor my confidence.

We met at my request on Saturday afternoon, March 18. He gave me his categorical assurance that all communications between us, including the memorandum he had already sent me and my reply dated February 20, were confidential. I shall say only that our discussion was frank and I spoke plainly.

His published letter to me of June 9 that he had stopped making public speeches then is to be qualified, if it is to be regarded as a virtue, by his accompanying statement that he had no further speeches scheduled at that time. However, he did say as he has said in the letter of June 9 that he has now published:

> I saw nothing improper in the making of speeches or in anything that I had said.

So, Mr. Speaker, the governor on his part, while expressing regret that his speeches

might have hurt the government politically, asserted that he withdrew none of the things he had said in his speeches.

It became increasingly clear to the government that the governor had so deeply involved himself and the Bank of Canada in political controversy that there could be no possible redemption of the situation as long as he remained governor. The government was engaged in formulating a budgetary program of far-reaching proportions about which I wish to say two things. First, that program could not be fully implemented without strong co-operation on the part of the Bank of Canada. Second, that program was built upon certain fundamental principles which were widely at variance with the views repeatedly expressed by the governor and held by him firmly, yes, even dogmatically, in his numerous public utterances.

If we credited the governor with sincerity in these views that he expressed, and I told him that I did, it was abundantly clear, therefore, that if he was sincere he could not be expected by the government to support a program which the government deemed necessary in the public interest. The government had long since decided that it could not approve his reappointment as governor on the expiry of his term on December 31. It now concluded that there was no other course open to it in the national interest but to ask for the governor's resignation.

In this situation the government made inquiry concerning the pension provision made for the governor. It was then for the first time that the government or myself became aware of an amendment to the pension bylaw passed by the board of directors of the bank at its meeting on February 15, 1960. At my request I was furnished with an extract of the minutes of that meeting and, as I explained to the house on June 14, as found at pages 6315 and 6316 of *Hansard,* the government was shocked to learn that as a result of that bylaw the governor purported to become entitled immediately on the conclusion of his service to a pension for life on retirement of $25,000 per annum, compared with a pension entitlement prior to that meeting under the same circumstances of just under $12,000 per annum. The fact that the governor, though not participating in the board proceedings at which the bylaw was passed, and notwithstanding the fact that he possesses veto powers under the Bank of Canada Act, did not inform the government of its passing nor publish the bylaw or notice of it in the *Canada Gazette* was in the view of the government a serious dereliction of duty on his part.

On May 30, in pursuance of a decision taken by the government, I invited the governor to my office where, in the presence of the deputy minister of finance, I informed him with deep personal regret—and I emphasize that, Mr. Speaker—that the government, after full consideration of the matter, had decided to ask for his resignation. I further said that I was prepared to give him the reasons for the government's decision if he wished those reasons.

The governor in his public statement of June 13 has given the impression that the only reason related to his pension. He has had something to say on this subject of which I should remind hon. members. Referring to me, he said:

> To aid me in my consideration of this matter he—

That is myself.

> —said the cabinet were upset by the fact that the bank's board of directors had taken action in February, 1960, to improve the conditions of the pension which, according to the rules of the bank's pension fund, had always been provided immediately on the termination of service of a governor or deputy governor. He said the government were considering what action to take in the matter of the pension, had not yet come to a decision, and wanted my resignation before they came to a decision.

That last statement is not correct. I certainly did ask for his resignation. I did say that we had not come to a decision, but I did not say that the date of the resignation related to the decision. He continued:

> Mr. Fleming also said the cabinet were of the view that I had failed to discharge the responsibilities of my office in allowing the board of directors to take the action they did take unanimously and after thorough consideration in amending the pension fund rules, an action which the Department of Justice had said was entirely within the powers of the board. This slander upon my integrity I cannot ignore or accept.

That passage is the only one in the public statement issued by the governor on June 13 in which he purports to give the reasons which I stated on that occasion had led the government to ask for his resignation.

Mr. Pickersgill: No, it is not.

Mr. Fleming (Eglinton): It is on this interpretation that certain articles have appeared in the press and statements have been made over the radio. The fact is, Mr. Speaker, and I do hope I can make this clear for all to understand, that in the course of our discussion on May 30, one hour in length, I gave the governor five reasons. In the order in which I advanced them they were as follows: First, in his speeches he had shown that he was openly at odds with the government on important policy questions. Second, he had embroiled the Bank of Canada in political controversy. Third, his views were incompatible with far-reaching programs upon which the government was about to embark. Fourth, he did not possess the confidence of Canadian financial institutions with which the Bank of

Canada must work. Fifth, his pension arrangements, and failure to notify the government or the public of the bylaw increasing his own pension.

These were the five reasons. Each of these was discussed as fully as the governor wished on this occasion. I stress that the government had given the subject very full consideration, and that he was asked to submit his resignation in time for the board of directors to take action on it and to appoint his successor at its meeting scheduled to be held in Quebec city on June 12 and 13. I stressed the fact that in the view of the government it would be most undesirable that there should be anything like an interregnum at a time when the co-operation of the bank was required in the fulfilment of these important and far-reaching programs.

Mr. Pickersgill: Would the minister permit a question at this point?

Mr. Fleming (Eglinton): Mr. Speaker, I am trying to finish by one o'clock. There will be an opportunity for questions when we go into committee on the bill.

Mr. Pickersgill: My question has to do with—

Some hon. Members: Sit down.

Mr. Fleming (Eglinton): The governor asked me three questions which with my answers I related to the house in my speech on June 14, which will be found at page 6353 of *Hansard,* for that date. He said he withdrew nothing of what he had said in his speeches. After an hour of quiet discussion, the governor asked for time to think the matter over. He said nothing about any attack on his character or his integrity. We shook hands and quietly said goodbye.

In his statement of June 13 he denounced my reference to his failure to report his pension increase as a slander upon his integrity which he could not ignore or accept. People who hear words that they regard as slander upon their integrity usually react very swiftly to them. There was no such reaction on the part of the governor in our hour-long discussion on this occasion. Our conversation was carried on quietly throughout, and we shook hands and parted with, on my part, an expression of personal regret that matters had given rise to this situation.

I received no direct answer from the governor, apart from several letters of an obviously self-serving nature, carefully timed to reach me on the morning of June 12, and which he has since evidently released to the public. I think his letter of June 13 was mentioned in this house by the Leader of the Opposition, that letter having reached the Leader of the Opposition apparently as soon as it reached me.

In taking the action that he did on June 13 the governor rejected firmly and flatly the resolution passed by the board of directors of the Bank of Canada by a vote of 9 to 1 requesting his resignation.

Mr. Pickersgill: It was dictation.

Mr. Fleming (Eglinton): That is a false statement, Mr. Speaker. It was no dictation. The board of directors of the Bank of Canada had reached a decision, as responsible men would under the circumstances. What we have just heard from the hon. member for Bonavista-Twillingate is the same kind of insult to the intelligence of these responsible men on the board of directors of the Bank of Canada as the governor himself directed toward those persons.

The governor issued his public statement on June 13 at a time when the board had, at his request, suspended its discussions on the resolution and before it had adopted that resolution to request his resignation. He deliberately timed the release of his statement, according to his own admission, so that it would hit the House of Commons at its opening that day, and would reach the public before the Minister of Finance could make any statement on the question.

Mr. Pickersgill: What is the minister quoting from there?

Mr. Fleming (Eglinton): I am quoting from a statement that was made by the governor on this occasion.

I had taken elaborate and careful precautions to avoid publicity in order to spare the governor embarrassment to the utmost possible extent. Had the government wished to make a scapegoat of him, as is falsely alleged by some malevolent and prejudiced persons, the government would certainly not have followed this considerate course. It was by the governor's deliberate act and intent that this question became a public issue. He has pursued his objective and attracted to it the maximum publicity regardless of the harm it may do to relations between the Bank of Canada and the government and between the Bank of Canada and the public. He has sought to keep himself in the headlines, and has evidently enjoyed the personal publicity which he has attracted to himself. He has repeatedly made himself heard by the entire nation not merely in his own defence but in audacious attacks on the government. No public servant in Canada's history has ever been heard so much and so often. There have been many hearings, including an appearance just two months ago before a Senate committee.

Mr. Martin (Essex East): But not before the banking and commerce committee of the House of Commons.

Mr. Fleming (Eglinton): I guess the hon. member for Essex East is glad now that he did not appear before that committee.

Mr. Pearson: The appearance was denied by this government.

Mr. Fleming (Eglinton): Since June 13 the house has debated this subject. It was debated on June 14. Having openly declared war on the government in his statement on the morning of June 13 and in his press conference that night in the board room of the Bank of Canada, the governor has pressed his political campaign against the government with ardour. Had he resigned he would have regained his full right to debate the political issues publicly. He did not wait, however.

Making full use of the facilities of the Bank of Canada and continuing to draw his salary as governor, he used his office in the bank as a base for operations against the government. He has made very wide distribution in Canada of his statement of June 13, mimeographed by the bank, presumably at bank expense, mailed out in Bank of Canada envelopes stamped by the postage meter of the Bank of Canada. Some of these envelopes have been sent to me by recipients who have expressed indignation and disapproval of this improper use of bank property. It would be interesting to know what the cost to the bank has been in mounting this political attack against the government. Let me say that if the facilities of the bank had been used on this scale and in this way, not to attack the government but to aid it, I am very sure that the opposition in this house would have been up in arms because of this abuse. That is not so now.

In the publicizing and distribution of June 19 of this memorandum he sent me on February 16 in confidence, a confidence which he reaffirmed on March 18, I say that the governor acted most improperly. I say that the governor's conduct since June 12 has of itself been such, without regard to what had happened before that time, as to have made necessary his dismissal from his high office.

Mr. Speaker, I see that it is now one o'clock and I have been unable quite to finish.

At one o'clock the house took recess.

AFTER RECESS

The house resumed at 2.30 p.m.

Mr. Fleming (Eglinton): Mr. Speaker, the last point with which I was dealing prior to the luncheon recess concerned the events transpiring on and after June 13; and in the light of the actions taken by the governor in this period I had submitted to the house that the governor's conduct since June 12, of itself, has been such as to have made necessary his dismissal from his office.

I turn now to certain specific points. This morning I made mention of this subject of the slander upon his own integrity that the governor purports to find in the reference to his failure to notify the government of the action taken by the board of directors on February 15, 1960, in increasing his pension by more than double. I leave it to the house, Mr. Speaker, to decide whether or not this is to be regarded as a slander. Certainly no such expression was used at any time before the governor resorted to this expression on June 13.

I disclaim completely the kind of article that has been written in certain quarters picturing what has been done in this situation as a "political assassination". That, I regret to say, is the title that appeared in *The Economist* of London on June 16 over an article written by the Ottawa correspondent of that journal, namely Mr. Michael Barkway. I wish to make it very plain that there has been no such thing as character assassination here. The governor did not on May 30 interpret to that effect anything that was said on that occasion. Never a word or hint did he drop of interpreting anything that had been said as being a slander upon him or upon his integrity. If there has been a slander in his misinterpretation of it, then the broadcasting of it is his own personal responsibility.

The next point I wish to draw attention to is the fact that on this very subject, in his statement on June 13, the governor chose to go completely outside the scope of the issue that he saw between himself and the government in relation to his tenure of office as governor of the bank. Having used the sentence to which I have referred concerning the alleged slander, he added:

> It appears to be another element in a general campaign of injury and defamation directed against crown corporations, their chief executive officers and other public servants. I cannot and will not resign quietly under such circumstances.

I ask the house to draw its own inference from the fact that the governor, who was saying at this time that he should have been permitted to continue in office until the end of December, chose to go completely outside the scope of the Bank of Canada or its relations with the government in order to engage in a political accusation against the government concerning its relations with other national institutions or crown corporations or persons heading them. I leave it to the house

to decide whether, under those circumstances, it was proper for the governor to engage in that kind of deliberate, omnibus, general political accusation against the government. This accusation came at a time when he was asserting that the government should have had confidence in him and in his co-operation. It is an interesting sidelight on that kind of assertion on his part.

The next point I wish to make, Mr. Speaker, is that the government takes full responsibility in the realm of fiscal policy. Its program—I refer to the kind of program that was introduced in this house last Tuesday evening—requires effective co-operation of the authorities in the fiscal and monetary fields. The governor's campaign has been aimed at absolving monetary policy of responsibility for economic conditions and for action to meet economic conditions. He has deliberately sought to throw on to fiscal policy the full burden of meeting economic problems. In my respectful submission, this is not only an unsound and untenable proposition but it was part of the campaign to pillory the government. He has carried it on in his statement of June 15. He states:

> As I see it, the trouble has not been in the field of monetary policy—

And so on. Further down he states:

> What has been lacking so far is adequate action in the field of fiscal policy.

If that is not a deliberate attack on the government, I do not know what can be an attack. What is required, in the view of the government—and it was implicit in what I said to the governor at our meeting on May 30—is that for the solution of Canada's present economic problems there must be a co-operative approach by the authorities in the fiscal and monetary fields.

As to the extent of the deep seated differences of approach to economic problems and responsibilities of the authorities in these two respective fields, fiscal and monetary, I shall not repeat what I said last Tuesday night. It is on record on pages 6666 to 6668 of *Hansard*, and any further comment on this subject no doubt could be more appropriately reserved for the budget debate. In that, Mr. Speaker, I include any comments upon the February memorandum which the governor released a few days ago.

Next, Mr. Speaker, I have drawn attention to the governor's disclaimer of the responsibility of monetary policy for meeting economic conditions. But the governor in his statement of June 15 chose to go further, and indeed he has sought, as I have indicated, to throw responsibility off his shoulders and all responsibility on to the government in a field where the view of the government is that responsibility must be shared and action must be co-operative. Well, sir, he may say now that he disagrees with the view I have expressed in this house, that the government has not had responsibility for monetary policy. He has in these statements undertaken to express disagreement with my interpretation in that respect. All I have to say, Mr. Speaker, is that he was well aware of that interpretation. It was given to the house under the circumstances of the situation at the time in various debates in this house over the past two sessions, and although he must have been well aware that statements were being made in *Hansard*, never once did he express himself to me personally as not sharing the view I was expressing, or taking issue with it. This statement that he has recently made in this respect is the first intimation that has ever come from him to me of a view that the responsibility for monetary policy was a responsibility of the government and not simply that of the Bank of Canada under the provisions of the Bank of Canada Act.

Next, Mr. Speaker, let me draw attention to what the governor has said in his statement of June 19. Referring to the February memorandum which he released—the confidential memorandum—he has said:

> I have been anxious to have constructive discussion of these matters but the Minister of Finance has not found time to discuss the substance of them with me.

Mr. Speaker, I must take issue with that statement. A number of these matters that are referred to in the February memorandum were discussed last autumn at meetings in which the governor and others and myself participated. There were, I should say, a large number of various items that appeared in the February memorandum which had already been discussed. Let me say this, that having read the February memorandum I did not need extended discussion to satisfy me that such a program as he was putting forward in broad outline in that memorandum was in many of its aspects not acceptable to the government. I have referred to the fact that it would have involved a breach of our international obligations; that it would have provoked retaliation against Canada by other countries; that it would have restricted our trade; raised taxes; involved more governmental intrusion into business in this country, and would have necessitated for its fulfilment a federal intrusion into the affairs of the provinces, and other reasons.

It was not necessary for us to have extended discussion in the light of those facts. But let me draw attention to this; that when the governor complains that I was not sitting down and talking to him at length on the contents of that memorandum, I asked him—

this is when we met on March 18—if he had made any attempt to call me, telephone me, or make any appointment for the purpose, and the answer of course was in the negative. He had chosen, rather, to sit in his office and write these letters, and then complain that he was not being properly used because I had not sat down to discuss these questions with him at length.

The next passage in the statement of June 19 I think is of interest to the house as well. It proceeds:

He—

That is referring to myself:

—has also for four years refused to allow the banking and commerce committee of the House of Commons to study my annual report or to examine my views as to whatever extent might be desired by members of parliament.

Mr. Speaker, that statement is untrue.

Some hon. Members: Oh, oh.

Mr. Fleming (Eglinton): It was in 1959 that a question was asked by the hon. member for Kenora-Rainy River. He did not press it. He asked if the government was going to refer the report to the banking and commerce committee. A halfhearted question was asked in the 1960 session by the hon. member for Burnaby-Coquitlam. It was only in the present session that this matter has become an issue.

Mr. Pearson: That is entirely wrong.

Mr. Fleming (Eglinton): When the governor of the Bank of Canada makes this assertion that for four years I refused to allow the banking and commerce committee to study the annual report, what he is saying is not true.

Mr. Pickersgill: At which time did you not refuse?

Mr. Fleming (Eglinton): Mr. Speaker, let me refer to something one of my predecessors had to say on this subject. I am putting this on the record to refute the statement of the governor and also to clarify issues that have been beclouded in this house in the present session. There has been only one year when the annual report of the governor of the Bank of Canada has been referred to the banking and commerce committee for study. That was in the year 1956. Let me draw attention to the year 1957, not after the change of government but the session of 1957 that preceded the general election and change of government of that year. The request was made at that time for reference of the report to the banking and commerce committee. I refer to *Hansard* of February 14, 1957 at page 1277. The hon. member for Greenwood put this question to the then minister of finance:

Governor of Bank of Canada

Mr. Speaker, I should like to direct a question to the Minister of Finance. In view of the fact that I understand the Bank of Canada report for 1956 will be down shortly, will the minister be able to tell us that the banking and commerce committee will have an opportunity of having the report presented and discussed by the governor of the bank, as was done last year?

The answer was:

Hon. W. E. Harris (Minister of Finance): Mr. Speaker, I shall give consideration to what appears to be a request.

Then we find that the matter was revived a month later. *Hansard* of March 11, 1957 indicates at page 2064 that the hon. member for Greenwood returned to his question and asked the minister of finance:

Mr. Speaker, may I ask the Minister of Finance whether it is the intention to have the governor of the Bank of Canada, now that the report is out, appear before the banking and commerce committee as he has done in the past?

To this question the minister of finance, Mr. Harris, made the following reply:

Mr. Speaker, I think I may have slightly misled the house—

He was obviously referring to what he had said earlier on February 14, which I have read:

Mr. Speaker, I think I may have slightly misled the house and the hon. member for Greenwood by a reference I made in answer to a question such as this earlier in the session. I find that it has not been a custom for the governor of the Bank of Canada to appear before the banking and commerce committee. It is true that the former governor and the present one have appeared before it on occasion but a good deal less frequently than I had thought when I made the answer. It would therefore not be correct to say that it has been customary, although on occasion it has been done. I shall consider whether or not it ought to be done in this case.

That is the end of the quotation and having considered it he did not propose that the report go to the committee.

Mr. McIlraith: Dissolution came.

Mr. Fleming (Eglinton): Dissolution did not come for another month. I think that puts that matter in its proper light.

To what I have already said in reference to debates in this house, let me add this further comment on what the governor has said. Never once in all these years did the governor say anything to me about wishing to appear before the banking and commerce committee or wishing his annual report to be referred to the banking and commerce committee or to any other committee. This statement of June 19 is evidently calculated to give the impression that he was telling me he wanted to appear before the banking and commerce committee to discuss his annual report and that I did not let him.

Such impression could not be further from the truth; and when the governor talks about

my refusing to allow the banking and commerce committee to study his report, if he is referring to anything that passed between us in this regard I have to say categorically that nothing of this sort has passed between us. If he is referring to debates which took place in the house, then I have to say to him that this is an intrusion into political debates in the house that ill becomes a man who aims to cling to office as governor of the Bank of Canada.

What is more, his statement does not accord with the facts, as the records of this house will plainly show.

The only time the governor ever talked to me about appearing before any committee of the House of Commons was not in relation to his annual report or to the banking and commerce committee at all; it was in relation to his appearance before the industrial relations committee of the house on June 9, 1959, when he was called as a witness in relation to the investment policy of the investment committee under the Unemployment Insurance Act. I may say that on that occasion he expressed himself to me in terms of outrage—that is not too strong a word—over the shockingly unfair way in which, he asserted, he had been treated in that committee that morning by the hon. member for Essex East who, the governor said, had made lengthy speeches instead of asking questions, and who would not give him an opportunity to answer the questions.

Mr. Chevrier: May I ask the minister what he is quoting from?

Mr. Fleming (Eglinton): The comment of the governor himself arising out of that experience.

Mr. Pickersgill: Did you write it down at the time?

Mr. Fleming (Eglinton): I wrote it on the tablets of my memory and it is very plainly written there.

Mr. Pickersgill: Your memory.

Mr. Fleming (Eglinton): Yes, Mr. Speaker, that is the fact.

Mr. Martin (Essex East): I would like to have the opportunity of questioning the Minister of Finance in the committee.

Mr. Fleming (Eglinton): I would love to have the opportunity of exposing the hon. member for Essex East and all the shilly-shallying he has done on this subject for a long time.

Mr. Martin (Essex East): Let us go to the committee.

[Mr. Fleming (Eglinton).]

Mr. Fleming (Eglinton): That is the attitude which the governor took in relation to the kind of questioning which was directed to him by the hon. member for Essex East on June 9, 1959.

Mr. Pickersgill: According to your say so.

Mr. Fleming (Eglinton): The next point which perhaps merits mention was the observation in the governor's statement of June 13 that he has always co-operated with the government and would, of course, do so. This is a case where the governor invites the government to believe that he has never failed to co-operate. Although he has carried on this campaign which has embroiled the Bank of Canada in controversy and has put himself plainly at odds with the government on basic questions of policy, he is asking the government to believe that his co-operation can be counted on at a time when he is accusing the government of having slandered him and of having carried on a general campaign of injury and defamation against crown corporations. In the face of that, and all it amounts to, he asks that he be permitted to continue in office and that his protestations of readiness to co-operate should be accepted at face value. This assertion that he had always co-operated and was prepared to co-operate was never made until some days after a request had been made for his resignation.

I have found, to my great regret, that the governor has not possessed the confidence of the public and of those institutions in the Canadian economy with which the Bank of Canada must work. I shall not go into the question of the attacks which have been made upon monetary policy in this country by those in the academic field who are students and authorities of this subject, but I would point to the fact that there is a reflection of the relationship of this issue to public finance in what has happened in the bond market since this matter became public by the act of the governor on June 13. The bond market has been stronger since that time. Bond values have been rising and interest rates have dropped slightly.

It must be plain to all concerned that there is a dispute, and a deep seated dispute, between the governor and the government here. I refer to the statement made in this house by the Leader of the Opposition on February 20, as reported on page 2201 of *Hansard*:

> If the governor cannot agree with the general policy which the government desires him to implement, then the governor has no alternative, of course, but to resign.

There may be one question remaining. Suppose a case arises where the government on its part says there is a deep seated dispute between itself and the governor with respect

to general policy. Suppose the governor then says oh, well, I really should not be interpreted as having attacked government policy or as differing with it; I am ready to co-operate; I say there is really no deep seated difference between us. In these circumstances who is to judge whether there exists in fact a dispute, a deep seated difference in policy? Again I am indebted to the Leader of the Opposition for supplying the answer to this question. He did so at a television conference, broadcast from Ottawa last Thursday evening. From the script I quote the two following questions and answers, the answers being supplied by the Leader of the Opposition.

Who is to be the judge of whether there is or is not a dispute? If the government says, yes, there is a dispute, and the governor of the Bank of Canada says he knows of none, whose judgment—

A. Oh, the government's views must prevail in these matters. The government, of course.

Another question:

Q. You take the position, then, that if the government asserts that there is a dispute the governor of the Bank of Canada must resign?

A. I think that if there is a dispute of that kind the governor of the Bank of Canada should resign, of course.

Mr. Pearson: Read on.

Mr. Fleming (Eglinton): Let me make it very clear that the government asserts that there is a dispute with the governor of the Bank of Canada.

Mr. Martin (Essex East): After four years.

Mr. Fleming (Eglinton): There are deep seated differences to which I have now made reference, and in the face of this situation the house should be under no misapprehension. We say there is a dispute and, therefore, having regard to the principle put forward by the Leader of the Opposition himself, it is the duty of the governor to resign. Indeed, that is the only course.

Perhaps it would have sufficed if instead of my detaining the house at such length I had simply read the statement made by the Leader of the Opposition on February 20, told the house that in the view of the government there is a deep seated dispute between us, and then referred to the further statement of the Leader of the Opposition that the government is the judge of whether there is a dispute, and that if the government says there is a dispute the governor must resign. That would have been a complete presentation of the case.

Mr. Pearson: The minister having quoted part of my answer, I wonder whether I might ask him—

Mr. Fleming (Eglinton): I am making my speech. The Leader of the Opposition will have an opportunity to make his, and we shall be in committee later on and there will be opportunity there for questions.

Mr. Pearson: On a question of privilege—

Mr. Fleming (Eglinton): I say that this regime must, in the public interest—Mr. Speaker, there is no question of privilege whatsoever.

Mr. Pickersgill: You are the Speaker as well as the executioner. Sit down.

Mr. Speaker: The Leader of the Opposition rises on a question of privilege. I have to hear him.

Mr. Pearson: I rise on a question of privilege because the minister has quoted from a statement I made the other night. He has quoted only one part of the statement and has drawn his conclusions from that part. I am now asking him to complete the quotation.

Mr. Speaker: That is a matter of explanation which the Leader of the Opposition will have an opportunity to present himself.

Mr. Fleming (Eglinton): The Leader of the Opposition knows perfectly well that I read in full two questions and his answers to those questions, and any attempt to pretend otherwise just does not agree with the facts. The Leader of the Opposition may repent now of the answers he gave, but his answers are there and they were recorded at the time. They are very plain and categorical on the point.

Mr. Pickersgill: You don't dare to read the next paragraph.

Mr. Fleming (Eglinton): Mr. Speaker—

Mr. Pickersgill: You don't dare to read it; you don't dare to.

Mr. Speaker: Order. Hon. members cannot prescribe the way in which another member presents his speech, provided it is in accordance with the facts.

Mr. Pickersgill: A deliberate attempt to mislead the house.

Mr. Fleming (Eglinton): The hon. member for Bonavista-Twillingate has been acting this way lately, Mr. Speaker; he has been going into hysterics almost every day in the house. It is evident that it is time to administer some kind of sedation to him. He is quite unable to control himself.

I say in conclusion that in the public interest the present regime in the Bank of Canada must give way to one in which the good relations which previously existed between the bank and the government and between

the bank and the public will be restored and co-operation in fiscal and monetary policies will prevail.

Sir, the present governor of the bank was appointed to his high office by order in council. That order in council is P.C. 1954/1789. It is dated November 18, 1954, and it purported to appoint the present governor as governor at a salary of $50,000 per annum, the appointment to take effect as from January 1, 1955. Under section 6, subsection 2, paragraph 3 of the act, his appointment is for a term of seven years during good behaviour. In an office so exalted the standard of good behaviour, Mr. Speaker, I think you will agree, should be of the very highest. It is known to all that the governor has lost the confidence of the board of directors of the bank; he has lost the confidence of the government, and he does not possess the confidence of a good many sections of the public with which the Bank of Canada is expected to work.

Enough has been said, I believe, Mr. Speaker, to demonstrate that the governor has not fulfilled the terms of his appointment in November, 1954; that the public interest is suffering from his continuance in office; that the government itself has no power to remove him from office; and that in the face of his open defiance of requests from the government and from the board of directors of the bank for his resignation, only parliament can remove him. By the present bill parliament is asked to take that action, Mr. Speaker.

Mr. Pearson: Would the minister permit a question before he sits down? I should like to ask him just one question arising out of his statement. In view of the statements he has made, which have been contradicted by others, including the governor and directors of the bank, and in view of the desirability of clearing up these contradictions without delay, will the minister give the house the assurance now that immediately on the second reading of this bill it will be referred to the committee on banking and commerce where evidence can be taken and witnesses heard?

Mr. Fleming (Eglinton): Mr. Speaker, you will notice that the Leader of the Opposition has chosen to couch statements within the framework of what purported to be a question. I take issue at once with the statements he has made, which are not statements of fact or truth at all. When he says that the statements I have made have been contradicted by the governor and by members of the board of directors of the Bank of Canada he is not telling the truth. The answer to his question is no.

[Mr. Fleming (Eglinton).]

Mr. Martin (Essex East): Shame.

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, this is a very short bill, but that does not mean that it is not a very important one. Some of the most important legislation in democratic history has been very short, and some of the most important attacks on freedom and democracy have been in very short bills; therefore the significance of this bill is not to be determined by its length. It reads:

> The office of governor of the Bank of Canada shall be deemed to have become vacant immediately upon the coming into force of this act.

I leave aside certain doubts about the constitutional validity of a bill of this kind. It does not, of course, amend the Bank of Canada Act. We have been told in the house that that would be required to bring about this result. Indeed, you might find a case for argument whether parliament, if it passes this bill declaring this position vacant, is the only body that can fill it. According to this possible argument it remains vacant until parliament takes action to fill it.

I leave aside these legal points—they may be brought up later—to speak for some time, because the minister spoke for some time, on the substance of the bill and what is involved in it. And I hope, Mr. Speaker, I may be permitted to speak without those chattering interruptions to my left.

Mr. Jones: The hon. member interrupted frequently.

Mr. Pearson: The minister told us that he was going to speak with restraint. In the light of his remarks, especially at the end of his long statement, I leave the house to judge how much restraint he showed in his personal attack on the governor of the Bank of Canada, and indeed in quoting not from a record but from his own memory of a statement purported to have been made by the governor of the Bank of Canada a long time ago.

At this time I do not intend to deal with many of the points the minister raised, but they will be dealt with; because the minister may have considered that he spoke with restraint, but we consider he spoke in a manner which requires to be answered, and he will be answered point by point. But I cannot forbear to mention two points in the minister's statement, one of which relates directly to me. He quoted from my television interview the other night, and I stand by what I said in that broadcast. But, as is his custom, he did not continue the quotation. I said, of course, that if there is a dispute between the governor of the Bank of Canada and the government, the governor should resign. I said

that in the House of Commons at a time when the minister was defending the governor against that kind of action. Then the next question was:

Do you think he should resign now?

My answer was this:

I say his usefulness is over as governor.

Of course that is true, Mr. Speaker. His usefulness has been destroyed by the government. Then I went on:

But Mr. Coyne apparently is determined to defend himself against certain charges which he believes reflect on his integrity. And that is why surely Mr. Coyne should have his day in court, and by in court I don't mean issuing statements which he feels are necessary because he isn't permitted to appear before a committee—and he states in one of his statements that he hasn't been allowed to appear before the banking and commerce committee to discuss the Bank of Canada report for four years.

Mr. Montgomery: That was a lie at the time. That has been denied.

Mr. Pearson: I hear an hon. member saying "That is a lie". I take it he will withdraw that observation.

Mr. Speaker: I am sure the hon. member spoke in haste and will be quick to make amends for something that has universally been held to be contrary to parliamentary practice.

Mr. Montgomery: I withdraw the first part. I said that had been denied.

Mr. Pickersgill: A lot of things have been denied.

Mr. Harkness: Wrong again, Mike.

Mr. Pearson: It certainly sounded like "a lie" here. In any event, that is what I said, that the minister did not quote; that before this dispute is settled in favour of the government the man who has been attacked should be given a chance to appear before a committee and defend himself.

Mr. Chambers: Will the Leader of the Opposition permit a question?

Mr. Pearson: I will answer questions, like the minister did, at the end if my statement. There is something else the minister said which should be replied to immediately. The minister made a great play in building up his case for this dispute between the bank and the government which has extended now over four years, on the fact that in 1958 the governor of the bank refused to take the action which the government asked the bank to take with regard to tight money and lower interest rates. He had some strong things to say about the governor angrily refusing to take certain action. It is surprising that the minister, having made that statement, did not take this opportunity to tell us the evidence on which it is based; because on June 21 we asked him a question on this very point. The hon. member for Welland put the question.

Mr. Fleming (Eglinton): Page?

Mr. Pearson: Page 6812. The question reads as follows:

1. Did the Minister of Finance ask the governor of the Bank of Canada to increase the money supply on any occasions since June 21, 1957?
2. If so, on what occasions?
3. Did the governor refuse to accede to any such request?
4. If so, which ones?

What did the minister say on that occasion? Compare this with what he has tried to say this afternoon.

Mr. Speaker, the communications between the governor of the Bank of Canada and the Minister of Finance have always been regarded as privileged.

Then the hon. member for Welland put this question:

1. Did the Minister of Finance ask the governor of the Bank of Canada to take steps to reduce interest rates on any occasion since June 21, 1957?
2. If so, on what occasions?
3. Did the governor refuse to accede to any such requests?
4. If so, which ones?

This was the answer of the Minister of Finance:

Mr. Speaker, the answer to this question is the same as that given to the previous one.

The minister, however, purported to give an answer this afternoon, and the answer he gave this afternoon is contradicted by his own statement at the time. On February 14, 1958, according to a Canadian Press story the minister had this to say, and I quote from this report which has never been denied:

Whatever may have been said for the tight money policy in 1955 and 1956, it is evident that it does not fit the needs of 1958.

Then he went on to say this:

Money is more plentiful, credit is somewhat easier and interest rates have been reduced to a remarkable extent in recent months.

Does that look as if the Bank of Canada was not co-operating with the Department of Finance in these matters?

Mr. Pickersgill: He just said that for the electorate, of course, during an election campaign.

Mr. Pearson: Of course, Mr. Speaker, that was an election speech, and as the Minister of National Revenue, whose absence from the house and especially the reason for it we all lament, said on one famous occasion, "Election promises really do not mean very much".

This short bill which we have before us, Mr. Speaker, is the result that was made necessary by the difficulty, if you like by the

mess, that the government has got itself into through its mishandling of this matter, through its customary ineptness and procrastination, this time extending over four years, in dealing with a problem through its customary procedure, its customary practice of allowing a problem to deteriorate until it becomes a crisis and then taking sudden and panic action to deal with it. This situation in which the government finds itself, this controversy between the government and the governor of the Bank of Canada, has already—the minister himself has said this—done harm to Canada's prestige and Canada's position, and I agree—

An hon. Member: Good.

Mr. Pearson: —with the minister and with all members of this house, I hope, that this matter should be cleaned up with a minimum of delay. But it should be done in the right and proper way. Justice cannot be subordinated to speed, desirable as speed is in this case. I agree and I have just repeated that the governor's usefulness has ended as long as this government is in charge of finance.

An hon. Member: Are you going to hire him back?

Mr. Pearson: But the governor's usefulness has been destroyed by this controversy precipitated by the government, and I will go into that in some detail later. Because of that the governor has become a scapegoat, and he is becoming a scapegoat without an opportunity for an inquiry and without parliament being given an opportunity to inquire into all the facts, into the charges—and more have been made this afternoon—and the countercharges.

The bill makes no such provision before dismissal, provision for the right of inquiry, the right of every public servant to have an inquiry, whatever his position, before dismissal if he does not hold his position at pleasure, and the governor of the bank does not. Incidentally, the minister referred to the governor of the bank as a public official, which is correct. The Prime Minister referred to him incorrectly over the air the other night as a civil servant.

The governor of the Bank of Canada does not hold his position at pleasure. He holds it during good behaviour. When a man in his position is being forced out of office as he is by this legislation, then irrespective of the merits of the case he should be given an opportunity to state his case before a parliamentary committee because it is parliament, the high court of the land, which is being asked to take action. If parliament is being asked to take this kind of action, surely in simple justice the man concerned should be given the opportunity to appear before a parliamentary committee. That is why, Mr. Speaker, I asked the minister once again after his statement this afternoon whether he would not ensure that the bill would be referred at once to a committee where evidence could be taken and witnesses could be heard. If he had said yes, and he should have said yes, that would have ended second reading as far as we are concerned.

Mr. Martin (Essex East): Instead of hanging a man on the prejudiced statement of the Minister of Finance.

Mr. Pearson: And, Mr. Speaker, this action, this denial of justice, this denial of the right to appear before a committee of the House of Commons which is asked to discharge this man, is being taken by a government which boasts so often about the bill of rights it asked this parliament to pass, one part of which includes words to the effect that no such act—Canadian act of parliament—order, rule, regulation or law shall be construed or applied so as to "deprive a person of the right to a fair hearing in accordance with the principles of fundamental justice for the determination of his rights and obligations".

Perhaps the Minister of Justice will tell us whether he has examined this bill in the light of the bill of rights and whether this bill, in the form in which it is presented to us and in the light of the refusal of the government to permit the hearing we have asked, is consistent with the letter or at least the spirit of the bill of rights.

The issue in this bill is not, as the minister tried to tell us this morning, who governs this country. There is no doubt about that. Parliament and the people govern this country. The issue is not who governs this country; the issue is how this country should be governed. The issue in this bill is not Mr. Coyne or his financial and monetary views. We on this side have criticized his views when the Minister of Finance defended him. The minister brought forward some evidence a few moments ago, and I am not quite sure whether he was in favour of Mr. Coyne or against him. He brought forward the statement which he said he remembered Mr. Coyne made, that it was outrageous the way we criticized Mr. Coyne in committee.

Mr. Fleming (Eglinton): It was the hon. member for Essex East in that committee to whom he referred.

Mr. Pearson: The minister quoted the governor's statement which he remembered so well, which was not in writing, that the questioning of the hon. member for Essex East, who was speaking as a Liberal member of parliament, was outrageous.

Mr. Browne (Vancouver-Kingsway): It was.

Mr. Pearson: Therefore the financial and monetary views of Mr. Coyne, we not having been given the opportunity to question them, have been sometimes criticized on this side of the house at a time when they were defended by the government, when the government refused to allow the governor of the bank to appear before a committee of the house for further questioning.

That is not the issue in the terms in which the minister put it before us. The issue is an historical issue of responsible government; of the control of the elected representatives of the people over the executive and the right of parliament to scrutinize every act of the executive, including any act which forces out the governor of the Bank of Canada.

By this bill the executive is seeking to make the elected representatives of the people rubber stamps, because they are being asked to take action without information, with the exception of that information which they receive from the minister who has put the bill forward. We are being told with respect to a matter of vital importance, the consequence of which may be with us for a long time, only what the Minister of Finance wishes us to hear, and on the minister's say so we are being asked to give a blank cheque to the government to control the bank without any parliamentary scrutiny. That is what we are being asked to do today, Mr. Speaker.

What excuse does the minister give us? On "The Nation's Business" broadcast the Prime Minister said:

> Public servants are not the masters of the elected representatives of the people.

Mr. Speaker, that is perfectly true, of course. But here we have two chief public servants—the Prime Minister, who is a public servant, and the Minister of Finance, who is also a public servant—forgetting that they are public servants and telling the elected representatives of the people that we must declare the office of the governor of the Bank of Canada vacant and—this is the heart of the matter—without any reasons being given in this bill.

Some hon. Members: Oh, oh.

Mr. Pearson: There is no provision in this bill for scrutiny by a committee of the house. We are being asked to do this because one public servant, the Minister of Finance, has given us highly partisan and prejudiced accounts of his relations with the governor of the Bank of Canada.

Mr. Bell (Carleton): How ridiculous can the hon. gentleman be?

Mr. Pearson: It certainly is ridiculous; there never has been such a ridiculous procedure put before this House of Commons.

Mr. Pickersgill: Nor such arrogance.

Mr. Pearson: I agree with the parliamentary secretary to the Minister of Finance in his effort to come to the defence of his minister.

The Bank of Canada is not a part of the executive; it is not under the control of the executive branch of government. Why is it not? The Bank of Canada is not a part of the executive because parliament decided that final control over the policies governing money supply should not be entrusted to the government in secret, but to parliament in the open. History demonstrates that control by the executive over money supply is one of the shortest roads to a dictatorship. That is why every free country has taken the most elaborate precautions to prevent the control of the supply of money falling into the hands of an arbitrary executive, free of any effective parliamentary scrutiny or control. What is the use of having parliamentary control of the right to tax if we are going to give the executive a blank cheque to start the printing presses rolling to pay their huge deficits?

Mr. Speaker, the Bank of Canada Act was carefully designed to prevent this from happening, and that is why it provided for a representative board of directors who were to be independent of the government. That is why the board and not the government was given the power to appoint the governor and deputy governor, which is something the minister carefully avoided referring to when he was talking about the appointments this afternoon, although approval of these appointments by the government is also required to ensure, it is hoped and has, indeed, been the case, the necessary harmony between the governor and the government. That is why the governor was appointed for a fixed term, subject to good behaviour, not subject to pleasure. Parliament intended the bank to be independent of control in that sense and to act independently of government control within its own sphere, but not, of course, to act in a fashion that would frustrate the policies of a government. There is no difference between us on that score.

In other words there was to be harmony and co-operation between the government and the governor, because without that harmony and co-operation one can understand the difficulties that would ensue. If that harmony and co-operation could not be maintained, and if the governor did not resign voluntarily, a responsible government under our system has a clear duty to bring this

situation at once to the attention of parliament, the source of all authority and control, and to propose suitable action which parliament could take, but only after due and proper parliamentary inquiry in accord with simple decency and justice.

The minister told us two weeks ago, and repeated with vigour this morning and this afternoon, that the necessary harmony has been lacking for four years between himself and the governor of the bank. However, until two weeks ago he kept that disharmony in secret from parliament, and denied every suggestion of the opposition that any lack of harmony existed. I will have something to say about that latter. There is plenty of evidence that can be produced in respect to the question of lack of harmony which so recently has been discovered and which now, four years after, the minister complains about very bitterly.

Mr. Martin (Essex East): Information which came to us then for the first time.

Mr. Pearson: As the hon. member for Essex East says, the information came to us for the first time in the last two weeks. This concealment by the minister from parliament is a self-confessed breach of the minister's duty to parliament. When this disharmony arose, as we are now told it arose years ago, surely then if the minister could not do anything about it the Prime Minister, the head of the government, should have stepped in and restored the position, if that was possible.

We do not even know whether the Minister of Finance told the Prime Minister about this disharmony over the years. We do know he is very sensitive himself about being told anything in respect to the administration of the bank and financing and all that sort of thing. We know from his words again this afternoon that although he had his assistant deputy minister at a meeting which dealt with pensions, when the minutes of the previous meeting were read, yet in spite of this kind of representation he himself did not know what was going on at that meeting of the board of directors. We do not even know what information the Prime Minister had about this fundamental disharmony. Surely if it exists—and it has existed for four years, we are told—the Prime Minister might have stepped in at any time, as any prime minister with a sense of responsibility would have done, and done his best to clear it up without the damage to the country and its prestige that has occurred by the events of the last two or three weeks. The trouble with this government is that it is too busy running a campaign to run a government.

[Mr. Pearson.]

Mr. Fleming (Eglinton): Where have you been lately?

Mr. Pearson: If the government were convinced that the governor of the bank was really obstructing government policies—and they claim to be convinced now; it is a kind of *ex post facto* conversion or conviction—parliament, as I have said, should have been fully informed, but it was not informed, and the governor of the Bank of Canada as head of an institution responsible to parliament, should have been given a full opportunity to explain his position and defend it. If he could not or would not explain his position and defend it satisfactorily, then and only then parliament should act. Instead of doing that—and that was the right course to follow—the Minister of Finance let the situation drift for nearly four years until his patience became exhausted or something else happened. He prevented the appearance of the governor before a committee of this house. Although he denied it this afternoon, the fact is that the governor of the bank did not appear before a commons committee during those four years. If there was this fundamental disharmony which we hear about now for the first time, why would it not have been the first desire of the minister to see that the governor of the Bank of Canada went to a committee of the house and explained his policies so that the government could explain to the committee where this disharmony lay and so that action could have been taken?

Mr. Fleming (Eglinton): What action?

Mr. Pearson: Instead, suddenly out of the blue the minister, on May 30, demanded the resignation of the governor of the bank, not because of some previous difference, so he told us two weeks ago, but because the minister believed, and he repeated this today, or pretended to believe that some unspecified future policies of the government would not be acceptable to the governor of the bank, even though the governor did not know, of course, what these policies were, because he had not been consulted over all these long months during which the budget was being prepared. In other words, the Minister of Finance went, as he himself admitted, on the government's orders—and that, of course, means the Prime Minister's orders—behind the back of parliament and tried to intimidate the governor of the bank and get him to resign as quietly as possible so that parliament, which had the right to know, would never know what had happened. That is the action taken by a government pledged to restore the rights of parliament.

Let us now look at the role of the bank's directors in this matter. I mention this because the minister himself had something to say on this score, something which has been contradicted by at least one of the directors himself and that will be put on the record also during this debate. The board of directors, which was to be independent and responsible and which had supported the governor over the years, when this situation developed,—and only after this situation developed and only after contact between some members of the board of directors and the minister,—then stated with regret, and in view of the circumstances, that the governor should resign. I can understand what they meant by "in view of the circumstances"; and I can also understand what they meant when they said "with regret". What they should have done, of course, was to have demanded a meeting with the minister and the fullest possible explanation from the minister in the presence of the governor of all the differences between them. Then if those differences could not have been resolved, they should have asked for a public explanation and a full opportunity for parliamentary inquiry. But this particular meeting which, according to the records we have, was sought by the directors, was refused by the minister.

We have also had—and it was repeated this afternoon—this determined, despotic refusal by the government of any kind of parliamentary inquiry into this matter; and that is the heart of the issue. Now this bill asks us, without any reason being given, to remove from his place a man who is responsible not to the minister but to parliament. The question is not the policy and the tactics of the governor of the Bank of Canada but is the intolerable, arbitrary procedure of the government of getting rid of him by a bill of this kind. If we meekly pass this bill in the form in which it is submitted to us, without the most searching discussion, as the government apparently expects us to do, and without any parliamentary inquiry, as we have been told we must do, what will be its effect? The effect will be, of course, to remove the governor of the Bank of Canada. But a far more important effect than that will be to endanger the position of the governor of the Bank of Canada in the future and of the Bank of Canada in the future and to put that institution in a position in which it may be considered merely as a creature of government.

All the directors of the Bank of Canada are supporters of the present government. They have already demonstrated their reaction to government intervention and so they will obviously appoint as governor someone who will be *persona grata* to the government; and in the light of the experience we have had in the last two or three weeks, all that has happened and the procedure which has been followed, the new governor will know that, unless he toes the line, his fate will be an unpleasant one.

Mr. Fleming (Eglinton): That is unfair.

Mr. Pearson: That is the main issue in this bill.

Mr. Fleming (Eglinton): That is very unfair.

Mr. Pearson: Are we going to suppress the right of inquiry, which is essential to the ultimate control of the Bank of Canada by the elected representatives of the people, or are we to hand that control over to be exercised in secret by a government with the record this government has had of lopping off the heads of able public servants?

If this bill is passed in this form, without any recourse to a parliamentary committee where witnesses can be heard and evidence can be taken, what will be the effect of this action on the prestige and morale of the public service? Let me repeat what I have already said. The governor holds his position during good behaviour, not at pleasure. In addition to the judges, there are only a very few public servants who are appointed during good behaviour. What does that phrase mean? It means that such public servants can be removed only for cause and not because they happen to displease the executive in the discharge of their duties.

What the minister is doing in demanding Mr. Coyne's resignation, or what he was doing on May 30 when he demanded Mr. Coyne's resignation, was the equivalent of calling in the chief electoral officer and saying this to him: "We are going to change the electoral law in a way we believe you will not approve, so please resign quietly and thereby maintain the dignity of the office and let us appoint someone who will do the government's will".

Mr. Fleming (Eglinton): Nonsense.

Mr. Pearson: That is exactly what happened in the case of the governor of the Bank of Canada.

Mr. Fleming (Eglinton): Ridiculous.

Mr. Pearson: It was the equivalent of calling in the president of the C.B.C. and telling him this: "We have a new broadcasting policy that you will not like. It is too secret to reveal to you, it is true, but please get out quietly and make way for one of our friends". Mr. Speaker, the procedure followed in this bill is no better than that. It is true parliament has the opportunity to vote. Theoretically the bill could be defeated. But before the House of Commons is asked to vote we are being

refused the right of inquiry into the nature of Mr. Coyne's alleged misbehaviour. We get that only from the minister himself, who will not I am sure complain when I call him, in this matter at least, not an impartial witness. This merely turns parliament into a rubber stamp for the executive.

If there are grounds for Mr. Coyne's removal, there is a proper way to do it. I have put it on the record and I repeat it because it is the heart of the matter. The proper way is that we have a full parliamentary inquiry at which Mr. Coyne as well as the minister, and members of the board, if you like, could fully and freely present their differences, if any, and be cross-examined. If that inquiry, which could be concluded very quickly—it need not take long—showed that there are legitimate causes for removal on the ground of misbehaviour, then parliament could and should take appropriate action to that end.

That action, I suggest, should not take the form of this kind of bill. That action, I suggest, would require two stages. First an amendment to the Bank of Canada Act, an amendment which we were told by the Minister of Justice (Mr. Fulton) not long ago would be required in this situation, to provide a procedure for removing the governor similar to that contained in the Judges Act, so we could not have this kind of situation in the future. Then a joint address of both houses with the full particulars which justify the removal of the governor.

That would be due process of law and it would help to preserve the necessary independence of the office of the governor of the bank and the assurance that the government was not tampering with the money supply for partisan or other improper purposes. It would also confirm, beyond the reach of contradiction, parliamentary control in such unhappy disputes. We have not that in this bill. What we have here is a return to the processes of despotism. This bill before us is in essence a bill of attainder, a procedure outlawed by the bill of rights in the United States constitution and not used in England since 1798.

This bill is introduced into this house by the governor's accuser, the Minister of Finance, and the accuser alone is allowed to give evidence before parliament. He alone passes judgment and to parliament is given the dignified and appealing role of executioner. This, Mr. Speaker, takes us right back to Tudor days.

It was not always thus in this house so far as hon. members opposite are concerned. Listen to the Prime Minister (Mr. Diefenbaker) in earlier days when he was in the opposition; listen to what he said on June 9, 1955, as reported at page 4563 of *Hansard*:

> I ask the Prime Minister now: Do you have to circumvent the rule of law in order to achieve power under this legislation? Nothing of the kind! Have the powers, but in order to assure that no individual shall be discriminated against and denied equality before the law, to assure that the individual shall not be a puppet in the hands of the minister, give to the individual who is able to establish that he has been discriminated against a right of review by the courts of the land. Surely, we have not arrived—

Said the present Prime Minister:

> —at a state of mind in this country when parliament is asked to abdicate the rights of the courts for an indefinite time in the future in order to satisfy the desire for power of any minister or of any government.

Then again, in the same debate, as reported at page 4566 of *Hansard*, the Prime Minister had this to say:

> With respect to constitutional power, read Burke. What did he say? What were his words? The tyranny of the majority is a multiple tyranny. No better answer can be given today than that. It is no excuse—

Said the present Prime Minister:

> —that you have a big majority.

Some hon. Members: Hear, hear.

Mr. Pearson: Now, Mr. Speaker, let me look at some of the issues behind this procedure which we attack. This is the basic problem; it is basically the procedure which we attack. Let us look at some of the issues behind this legislation and what the minister said today justified the action he is asking the House of Commons to take. Let us look at the record. Apart from the procedure being followed, which is to be condemned, has the government made its case that the governor should resign? Has he in fact been non-cooperative in working with the government? Has he obstructed government policy? Is that the basic cause of the dispute?

If that is true—and the minister has stated it is true—it has been denied by the governor and it has not been proven at any inquiry. It has only been stated by the minister. The public evidence available to us—not that which we have secured from the minister alone—indicates that Mr. Coyne on May 30 and subsequently has been put up by the government both as a scapegoat and a target. After all, Mr. Speaker, there is nothing like publicly knocking down a bank president to take one's mind off massive unemployment.

Some hon. Members: Hear, hear.

Mr. Pearson: There is nothing like this kind of smokescreen and confusion to conceal the inefficiency of the government, its fumbling and bumbling in economic and other matters. The charge made and repeated this afternoon is that the governor of the bank was a proponent of restrictionist policies, tight money, high interest rates and all that.

An hon. Member: That is what he said.

Mr. Pearson: Indeed the Minister of Finance said specifically in the house on Tuesday last, I think it was, and again over the air the same night, that this was the main difference between him and the governor. I will quote his words again; he confirmed them this afternoon. He said:

> Mr. Coyne's rigid attitude on the maintenance of high interest rates—

That caused all the trouble, and that is what he had to fight. "That is why we were incompatible", said the minister. I suggest that from the Minister of Finance this is hypocritical nonsense, and "nonsense" is one of his favourite words.

Mr. Martin (Essex East): One of his virtues.

Mr. Pearson: When the opposition in this house pointed out time and time again the dangers to the economy, at a time of recession, of tight money and high interest rates, the minister argued vehemently that our charge was false and absurd, that in fact interest rates were down, rather than up. If hon. members read *Hansard* for March 31, 1960, page 2671, they will find that was the minister's argument in this respect. In the debate on monetary policy last February to which the minister has already referred, the minister insisted that monetary policy and the question of money supply was a matter for the bank alone, not for the government. He threw aside all governmental responsibility.

The minister, therefore, could at that time have thrown the whole responsibility for any tight money, for restrictionist policies, onto the bank. He could in that debate have told parliament about the differences which he says now have existed for a long time. He could at that time have met head on the issue which he says now has existed for so long. Well, did he? If hon. members read the debate, they will find he did not do so. In direct contradiction to what he said in his budget speech of last Tuesday, he argued last February that bank policy had been such that the money supply as of December 31, 1960 was larger than it had ever been in Canada. He then praised the governor, he praised Mr. Coyne, and I note that as reported at page 2266 he added complacently:

> —there never has been the slightest interference by the government with bank monetary policy.

There never had been the slightest interference in the monetary policy of the bank. Presumably, this was because things were going all right. There was no reference to disagreement, no reference to fundamental disharmony. There never had been the slightest interference with monetary policy. Well, if that policy at that time and for years earlier had not been satisfactory, why did the government not intervene, at least to the extent of drawing its views to the attention of parliament? The government never interfere. Well, they are interfering now, though a few months ago the minister said that in the matter of interest rates the bank could not be criticized because the rates were not excessive compared with rates in countries such as the United Kingdom and the United States. Hon. members will find that statement reported at page 2207 of *Hansard*. Yet the minister said exactly the opposite when he made his budget speech last week. We are entitled to ask him: what kind of double talk is this?

Mr. Pickersgill: Which time do you believe him?

Mr. Pearson: We on this side expressed worry over the bank rate and over the monetary and fiscal policies of the government. We did the worrying and we did the criticizing and the Minister of Finance defended both the government and the governor. Indeed, he attacked me in February last, as will be seen at page 2688 of *Hansard*, for bringing the Bank of Canada into a centre of controversy by raising these question in the House of Commons, claiming I was unfairly attacking the bank and its governor which he was defending. This was in February, 1961; then on May 30, 1961 he asked the governor to resign. In view of this, could anything be more hypocritical than the minister's recent statements and his statement today about relations between the bank and the government? Could anything be more phony than this pretence of patient long suffering in the face of the governor's policy, which he was defending as recently as February?

What is behind all this? Well, the minister has suddenly become the champion of expansion. The governor, he says, is restrictionist. Perhaps that gives us a clue to the greatest conversion since the conversion loan of 1959. But the minister cannot get away from the record, and the record shows that it has been the opposition which has been pleading in this house for expansionist policies during the last four years and the government which has been opposing our expansionist proposals. Even with massive unemployment in a static economy, the minister was still possessed with the fear of expansionist proposals becoming a danger to the stability of the currency, leading to inflation. That was the burden of his sermons in those days. Inflation was the great villain,

the great threat. And this was a view he shared at that time with the governor of the Bank of Canada.

On Tuesday last, however, at a time when expansion is in full flow according to the Prime Minister with a consequent increase of inflationary pressures, we no longer get a sermon from the minister on "work and save" or on the necessity of preventing inflation at all costs. We are to be spared these pedantic little homilies on financial responsibility. The text is now to be expansion. The minister has become complacent about the dangers of which he warned us earlier. There is not, he says, and I quote from his budget speech of the other night:

—any serious danger of inflation in present circumstances with so much unused capacity in our economy.

That is another conversion. He did not talk like this previously when there was even more unused capacity in our economy than there is today. Oh, no.

To conceal this about-face, to obscure the real issue, there had to be the smokescreen of a scapegoat. This was provided, without any consideration for decency or fair play, even to the extent of refusing to give the scapegoat the right to be heard and to defend himself against his accusers before a parliamentary committee. The elementary procedures guaranteed by the bill of rights were ignored, as were the procedures which give to the most junior civil servant the right to defend himself against charges before dismissal. The scapegoat was the head of a bank and bankers, of course, can be treated in this way without votes being lost. So goes the cynical reasoning.

So now we have what is called the Coyne affair to cover up this evidence of government misamanagement and ineptness and we are faced also with a refusal to allow any inquiry into this matter in a manner which would enable witnesses to be called and all the facts to be brought to light. This is all we are asking for on this side, but apparently it is not at all to the government's liking; that would not suit the government at all. The minister calls in the governor of the bank and says: get out at once; resign quietly, or else. This is the minister who a few months before had argued that he had nothing to do with monetary policy let alone the administration of the bank. Now he says: resign, or else.

Mr. Fleming (Eglinton): There was no "or else".

Mr. Pickersgill: We can see the "or else". It is here.

[Mr. Pearson.]

Mr. Pearson: The alternative was perfectly clear: resign quietly or we shall throw you out by act of parliament without there being a chance to appear before parliamentary committee. All we are asking is that this man and his accusers be invited by parliament, which is asked to take action, to appear before a committee of the commons where the facts can be ascertained.

Listen to what the minister said on February 21 on this point:

The government has no authority over the bank.

I particularly call the attention of the house to these observations by the minister which are to be found at pages 2256, 2257 and 2258 of *Hansard*:

The government must keep its hands off the bank just as it keeps its hands off the C.B.C.

That should have made us suspicious. Perhaps we were derelict in our duty by not attaching the proper significance to that observation by the minister.

Then the minister went on to say this as reported at page 2260. He asked himself the question:

Can the government change the management of the bank?

Then he answered it himself:

It cannot. The government has no power whatever, once appointments are made, to change them.

But it can bring the most extreme pressure on the governor to resign. Surely that is trying to change the management, and it is mere sophistry to argue otherwise. Therefore, the minister went to the governor without warning on May 30. He must have known it would provoke a crisis and he must have known, also, that there were only six months or so before the end of the governor's term of office. Knowing this, and knowing also that a committee of the board of directors of the bank was already working on finding a successor, the minister, in effect, says to the governor: resign at once, before the budget, which we have not discussed with you at all, but which we know you will not like even though we have not shown it to you. So resign at once.

The shabby insincerity of this attitude has been shown, particularly, by a question and answer in the house on February 21 as reported at page 2264 in the course of a discussion which is turning out to have been an important debate. The minister was speaking, and he was interrupted as occasionally happens by my friend the hon. member for Essex East (Mr. Martin) who said:

Does the minister agree with Mr. Ilsley's statement in 1941 that, in the event of a disagreement between the Bank of Canada and the government, it would be necessary for the governor to resign?

To which the minister replied:

No, no. Not in those terms—not at all.

Whereupon I intervened to say: "We do". That is, we Liberals. Then the minister made the following statement. I want to quote everything he said, not just a part; he quoted me in part but I shall quote him in full. He went on to say:

Unless, in the event of disagreement, the governor ... chose to resign.

Then he went on:

There is nothing that the government is in a position to do in that situation except to ask parliament to change the legislation, or wait for the expiry of his term.

This bill does not change the legislation; it does not alter the Bank of Canada, and the minister did not wait for the expiry of the governor's term.

Mr. Fleming (Eglinton): That is sophistry now.

Mr. Pickersgill: A bill of attainder.

Mr. Pearson: Let me turn to another matter. Need this crisis—and it is a crisis and a most unhappy one—ever have arisen? Of course the answer is certainly not, if it had been properly handled much earlier, and if there had been close and continuous contact between the governor and the minister. There was no such contact. The minister himself will not deny that. In the loss of such contact and in the face of this disharmony, as I have said previously in this debate, then it is for the Prime Minister to step in. If only the government had accepted its proper responsibility for monetary policy and exercised it at a time when, according to the minister now, Mr. Coyne was first proposing ideas and policies and making speeches of which the government did not approve. He was making speeches which included things we did not approve and we brought this up in the House of Commons. The minister, however, had nothing to say about the speeches in the house. But in 1961, I think it was in February or March, the minister did at last tell the governor to stop making speeches of this kind—

Mr. Benidickson: In March.

Mr. Pearson: —and the governor did. If the minister felt this way about the governor and his speeches and his policy, why did he wait until March, 1961? My own speech in this house on February 20, 1961 gave the Liberal view on both responsibility and policy. I emphasized in that debate the necessity for sound but easier money and for easier credit policy. I mentioned certain criticisms of the governor, of his alleged restrictionist ideas on these matters. In that debate I begged the government to tell us what were their views on those matters, to clear up the confusion and resolve any conflict, if there was one, not only between the government and the governor but between ministers inside the government. I begged them to tell us on this side and to tell the House of Commons who was responsible for what. My own view was clear. The minister has put it on the record and I am glad to repeat it:

If the governor cannot agree with the general policy which the government desires him to implement, then the governor has no alternative, of course, but to resign.

But after an inquiry into the accusation made against him, and only then.

Mr. Fleming (Eglinton): The Leader of the Opposition did not say that on February 21.

Mr. Pearson: That is simple elementary justice; it may be strange to some of my hon. friends opposite who talk so much about parliamentary justice and rights. I went on to say that if the governor operated in the field of monetary policy without any indication of government disapproval, the governor then has surely the right to assume that the government supports the policy he is putting forward. The evidence of the minister's statements—and I have quoted some of them—shows that they did support that policy even though they attack it so bitterly now. Look at the speech made in Toronto on January 11, 1960, by the new crusader for expansionist finance, when he talked about the difficult decisions that had to be made in 1959, and I quote; "in the cause of steady rather than explosive and inflationary progress". He added, as found at page 2 of the text of his speech:

Our concern today is not whether we will continue to grow but what kind of growth we wish and will have.

Was that Coyne or Fleming speaking? Well, it was both. The minister went on:

Too often we have been tempted to pursue too rapid a rate of growth with too little regard for the inevitable consequences.

Was that the governor or the minister speaking? Listen to this. It will be found in the same speech:

It was not yet a time—

This was 1959.

—for a severe application of fiscal restraint, but the situation did require a reduction in the stimulus which government fiscal policies had injected into the economic stream.

And so he went on. He said we must avoid:

—expenditures not strictly necessary now and bring government revenue and expenditures into better balance.

This was the minister, the restrictionist. What about the banks? What did he have

to say about the banks in those days? Well, in his speech in Toronto he indicated that he was pleased because:

> The restraints imposed by the chartered banks on the growth of over-all bank credit and their more selective policy of lending appears to have brought about a more orderly situation within the banking system.

Part of the same speech reads as follows:

> Credit restrictions continue to impose difficulties for certain sections of the economy although there is no evidence that from the over-all viewpoint they are interfering with the process of growth.

Was this the governor of the Bank of Canada? No, this was the Minister of Finance speaking in January, 1960.

Mr. Pickersgill: The expansionist.

Mr. Pearson: I will quote more from his restrictionist speeches. He said in the same speech in 1960:

> We are seeking deliberately to bring our revenues and expenditures into closer balance in order that we may not find it necessary to make new borrowings.

In the same speech in Toronto he concluded as follows:

> Those who practice thrift are entitled to the reward of the protection of their savings against the ravages of inflation. I shall continue to do all that lies within my power as Minister of Finance to encourage and protect the savings of the people, however small.
>
> If Canadians can hold production costs in line and demonstrate renewed efficiency as producers and salesmen, and if they are prepared to take the self-denying measures needed to resist the lurking dangers of inflation, the present period of expansion could carry the Canadian economy far beyond the high water marks heretofore attained.

Then, a year later at Brantford, in January, 1961, in words that could have come from the governor himself, in words that make a mockery of the present attempt to pin on the governor, the blame for tight money and restrictionist policies the minister had this to say about the money supply:

> The chartered banks are in a strong and improved position compared with a year ago. Their total assets increased during 1960 by approximately $750 million, or 6 per cent. Over the same 12-month period the total money supply increased by $687 million, or a little more than 5 per cent. During the year the general loans of the chartered banks increased by $275 million, or 6 per cent, and the ramainder of the increase in their total assets was reflected in the rise of more than $475 million (or 12 per cent) in their liquid and quickly marketable assets. This included, in addition to a rise in their cash, day to day loans and treasury bills, an increase of $260 million in their holdings of government bonds, and their net foreign assets have risen by $100 million.—

The minister who now condemns the governor of the Bank of Canada because he was a restrictionist in those days, went on to say:

> In other words, the Canadian banking system has increased its loans during 1960 without strain on its liquid position; in fact it has added to its liquidity and is in a position to meet all reasonable borrowing requirements of credit-worthy businesses and institutions.

The minister used those words, but Mr. Coyne certainly could have used them at that time. That was the policy in 1960, and its virtues were sung—

Mr. Benidickson: Just a few months ago.

Mr. Pearson: The speech was made in 1961. The virtues of the policy were sung repeatedly by both the minister and the governor in other speeches.

In following these principles of that day the minister had a goal which he reaches, he thought, in last year's budget, which has now been repudiated by him though apparently it has not been repudiated by the governor of the Bank of Canada with whom he shared the desire to reach it last year. And yet now the minister complains that the governor and the government have become incompatible. "The government's policy" the minister says "is expansionist—the policies advocated by Mr. Coyne are restrictionist". Well, of course, some of the governor's policies are, but so are many of the things advocated by the minister in his earlier budgets. His 1960 budget, he admitted himself, was a stand-pat one. His baby budget of last December was hardly better. It was certainly not one to which the governor of the Bank of Canada could object. Expansionism, apart from some proposals in the 1958 budget as bait for the 1958 election, has been conspicuous by its absence in government policy during a time of recession when it was most needed. Yet we are now told that this was the basis of the government's difference with the governor of the Bank of Canada, a difference which is very hard to detect in the budget of this year. Mr. Bruce Macdonald, writing in the *Globe and Mail* of June 20, had this to say:

> So far as the outsider could tell, the government had come to accept the monetary approach laid down by Mr. Coyne, and the finance minister, the soul of orthodoxy, came to be regarded as his guardian angel.

I think that is quite enough, Mr. Speaker, though I could quote a lot of other things to demonstrate the hollow mockery of the *ex post facto* case that the governor of the Bank of Canada over all these years had been restrictionist while the government was expansionist and that finally they came to a parting of the ways and on May 30 the minister said: "We can go along no longer; you resign at once, or else".

In the face of this statement of the minister the governor says, in effect, that there is no question affecting bank policy or cooperation at issue between us and that the

bank has in fact always co-operated fully with respect to government policies and measures. He said this too:

> At no time has the government expressed disagreement with the operations of the Bank of Canada under my management nor has there been any occasion on which the Bank of Canada has failed to co-operate... in support of government policy. I have never opposed government policy and do not wish to do so.

There is a statement from the minister which I have quoted and there is a statement from the governor which I have quoted and in the face of both these statements contradicting each other, in the face of a statement by a member of the board of directors contradicting what the minister has said today—

Mr. Fleming (Eglinton): That is not true.

Mr. Pearson: —in the face of that situation the minister has the effrontery to stand up and say that he will not allow this matter to go before a committee of the House of Commons where the facts can be found and the truth ascertained. That is all we are asking. We are not supporting the governor. We are not supporting the governor's tactics.

An hon. Member: What are you doing?

Mr. Churchill: You are on both sides of the fence as usual.

Mr. Pearson: That is not the issue before us.

Mr. Cathers: All over the map.

Mr. Pearson: We are the only party in this house that has criticized some of the things that the governor has put forward. Some of the things he has said and done have been good. Some of the things he has said and done have, according to our thinking, not been good for Canada. That is not the issue. The issue is simple decency and justice. The issue is whether a man in the high and responsible office of this man can be thrown out of his office by an act of parliament—

Mr. Hodgson: He threw himself out.

Mr. Pearson: —which does not give him the opportunity to face his accusers in a parliamentary committee. The high court of parliament, the House of Commons, is being asked to take action in this matter. We are asked to take as important a decision as the House of Commons can take, to discharge the governor of the Bank of Canada. We are being asked to do this without access to the facts except in so far as members of the government give us those facts. We are asked to do this before the man accused is given an opportunity to face those accusing him in a committee of the house which is being asked to take action. This is an intolerable position, and I suggest that even now the government will surely fall back on its own bill of rights—I should like to read it back to hon. members of the government again—and give this man the opportunity to be heard within the spirit of the bill of rights about which they boast so much. Therefore, Mr. Speaker, I move, seconded by the hon. member for Laurier (Mr. Chevrier), the following amendment:

> That all the words after "that" be struck out and the following substituted therefor:
>
> "this bill (C-114) be not now read a second time but that the subject matter thereof be referred to the standing committee on banking and commerce."

Mr. Erhart Regier (Burnaby-Coquitlam): Mr. Speaker, I regret that, unlike the minister who introduced the bill and the Leader of the Opposition (Mr. Pearson), I have only a limited time. I had eight hours of material ready for this debate and the minister in introducing the bill supplied me with an additional eight hours of material. I should like to congratulate the Leader of the Opposition immediately on the excellence of his performance and the excellence of his arguments. I want to say at once that I have never heard him in better form. It is obvious that he read the headlines this morning in the *Globe and Mail,* as we all did, I am sure, and is doing his utmost to make a bid for the leadership of the new party which the Ontario young Liberals would like to see him do.

After looking at the bill before us and hearing the explanation of the minister I can only say in all sincerity, what arrogance and what a horrible insult to the intelligence of the Canadian voter his recitation was. When he sees fit to accuse the governor of the Bank of Canada, as he said, out of the tabloids of his memory, all I can ask in response to that is: Does this mean that his head is indeed made of stone because tabloids are inscribed on stone?

Mr. Fleming (Eglinton): Tablets, not tabloids.

Mr. Regier: If the minister had not taken so long he would not have wound up with his neck stretched out nearly as far as it is for the opposition to hack off. The longer he talked, the longer his neck became. He even went to the extreme of attempting to take credit for the representations made to him a number of months ago in this regard by learned people in the university field. He forgets completely that they complained not of the attitudes of the governor of the Bank of Canada but rather they complained basically, as we also have complained, of the lack of co-operation that obviously has existed in this regard.

Governor of Bank of Canada

I believe that the minister exposed his small stature and also the smallness of the government when, in a vain and desperate attempt to heap additional criticism by way of attack on the activities of the governor of the Bank of Canada, he complained about the use of paper belonging to the taxpayers and the use of a postage meter to which the governor of the bank had resorted in an attempt to defend the integrity of the office of governor and, indeed, the role of the Bank of Canada itself. I believe this was really hitting below the belt. We thought that the complaint about the pension plan was hitting way below the belt, but this complaint about the use of the postage meter is even lower than that.

I hope the Minister of Finance will remember that until royal assent has been given to the bill now before us—and in light of the number of trained seals that abound in this house I have no doubt that royal assent will eventually be given—the governor of the Bank of Canada is yet the governor of the Bank of Canada and is completely entitled to use whatever facilities are available to him to defend, as he sees fit, the integrity of the occupant of that office as well as the integrity of the institution itself.

I think the minister can fairly be accused of literally heaping piles of abuse on the governor of the bank while at the same time denying his right to reply before a committee of this house. The Minister of Finance was most vindictive in the whole of his speech and it is obvious that in this whole matter the government as usual has been playing it by ear and has proven itself to be quite deaf at that.

I find it very difficult to understand the minister's claim that he has defended the prestige of the Bank of Canada. I feel that it is very difficult at this stage to decide who is the more adequate defender of the prestige of the Bank of Canada, whether it is indeed the governor of the Bank of Canada or the Minister of Finance. I should like to call the minister's attention to a statement he made, and this is in line with a number of complaints he has had made recently, and again this morning, as recorded at page 2258 of *Hansard* of February 21, 1961:

> Mr. Speaker, may I say that I have no right of censorship over the speeches of the governor of the Bank of Canada. He does not refer them to me. Why should he do so? This is a free country. He makes his own speeches and chooses his own themes.

The minister complains now that the governor of the Bank of Canada in fact did not consult him but made his own speeches on his own particular theme.

Before I go much further I should like to make our position perfectly clear. We believe that the Bank of Canada belongs to the people of Canada. We recognize that all of the shares are owned by the Minister of Finance on behalf of the people of Canada. We reiterate the basic position taken by the former governor, Mr. Towers, as well as by a former minister of finance, Mr. Ilsley and other former ministers of finance, Mr. Abbott, and Mr. Dunning—and these expressions are all on record—that if there is a basic conflict of interest, or difference between the policies of the government and the head of the Bank of Canada, then the will of the owners of the bank, as expressed through the government of the day, must prevail.

We in this group appreciate at once that if the Conservative government is going to remain in office for any considerable length of time the continuation of Mr. Coyne in the office of governor is completely untenable. This has been admitted by Mr. Coyne himself in a number of releases which he has made since this issue has arisen. However, we also believe that to ask the parliament of Canada to approve of this bill without hearing before a committee of this parliament the accused man presenting his own case is an insult to the House of Commons itself. We in this group, therefore, intend to support with all the vigour at our command the amendment which has been put forward by the leader of the official opposition.

This is a battle in essence between the government and the governor of the Bank of Canada; the Minister of Finance versus Coyne. Which side of the coin is he on, or is he simply opposed? We have heard the minister speaking about devaluation of the coin of the realm. Is this a sign that the value of the coin of the realm is to prevail or is Mr. Coyne less dear?

We have also assumed that the basic philosophies in respect to monetary policies of the minister and of the governor were identical. We have always been led to believe so and, even at this late date, still think there is no fundamental difference between the basic approach of the Minister of Finance and the governor of the Bank of Canada. However, we now realize, after reading submissions made a number of months ago by the governor of the Bank of Canada to the Minister of Finance, that we have now arrived at a stage of socialism plus Tory policies rather than socialism versus free enterprise upon which ground the Prime Minister announced the next election campaign would be fought.

During the budget speech the Minister of Finance presented a number of projects recommended to him by the governor of the Bank of Canada, such as the vast expansion

of the industrial development bank. The governor of the Bank of Canada also encouraged, as the minister has so often done, an increase in savings by Canadian people, and he advocated a specific arrangement for a national development corporation. He also advocated the establishment of a local government finance corporation. I suggest we now have socialism plus private enterprise, and I should like to ask a question in all sincerity. Did Mr. Coyne indeed have a point of difference with the Minister of Finance when he pointed to the continuation of repeated attacks upon crown corporations, or does the government intend to pursue a policy of selling these crown corporations, thereby pursuing a policy of private profit versus a continuation of the very profitable crown corporations that we now have in Canada?

The governor of the Bank of Canada has repeatedly offered his co-operation. He claims, along with many other leading Canadians, that massive action on the part of the government is needed. I want to at least say this for him; although we may disagree with many of the measures he advocates, he has assumed responsibility for the welfare of Canada and Canadians, and has recommended to the government a program of massive action in order to meet the recession that we are now experiencing.

I should like to ask the minister, in light of the statements which he has made in regard to the governor of the Bank of Canada, where the basic difference lies. Despite the length of the minister's speech today he has not yet identified the real area of basic difference between himself and his policies and the governor of the Bank of Canada and his policies.

I realize the impracticality of the measures advocated by the governor of the Bank of Canada in the field of tariffs. I much prefer an honest proposal such as that made by the governor of the Bank of Canada in this field —even though I am very much opposed to it —to the back door method of raising tariffs that this government continually insists on pursuing.

The governor has called attention to the need for co-operation in the field of monetary and fiscal policy. This need was underlined by the standing committee on manpower of the other place. This need is becoming more obvious to many Canadians who have given any thought to the matter. I believe even the minister, in his announcement that a royal commission is to be appointed to examine the role of the Bank of Canada, is now admitting that there must be a tie-in between monetary and fiscal policies and that the minister is now admitting he was in error when he insisted that fiscal policies are the exclusive responsibility of government and monetary policies are the exclusive responsibility of the Bank of Canada and never need the twain necessarily meet. I think the minister is now definitely on the defensive on this score.

I should like to recall to the house what the governor of the Bank of Canada had to say in his submission to the government dated February 15 last:

> Monetary policy undoubtedly has a part to play in any anti-recession economic program and also in fostering long term economic growth. Unfortunately very exaggerated views appear to be held in some quarters as to the degree to which monetary policy by itself can be effective for these purposes. There are several reasons why general monetary expansion, particularly if not tied in with government measures directly increasing production and employment, may not serve any useful purpose and may even have perverse effects opposite to those desired.

He added a little bit later:

> —unless steps are taken in other fields of economic policy to ensure that increased spending by Canadians will direct itself to the purchase of goods and services produced in Canada, and thereby promote increased employment in Canada.

The governor of the bank also had this submission to make at page 3 of the same report:

> The whole range of economic policy must be focused on the goals of promoting full employment and a satisfactory rate of economic growth without inflation, and restoration of equilibrium in the balance of payments.

He went on to say this:

> It is urgently to be desired that a strong new initiative be undertaken, aimed directly at achieving increased production and employment in Canada.

This does not sound like the voice of a restrictionist. It sounds like the voice of an expansionist. Before the budget was brought down the minister asserted that he was the expansionist and that the governor of the Bank of Canada was the restrictionist. After listening to the budget it now appears that the minister is the restrictionist because in the budget there is hardly anything to substantiate his claim to being an expansionist; and it now appears that the governor of the Bank of Canada would not have opposed a deficit, even one of this size, if it was aimed at an expansionist policy. However, as I said before, we all know that the deficit is only because of some very poor housekeeping on the part of the government.

In his recommendations the governor of the Bank of Canada advocates the removal of the excise tax on automobiles; I refer to the excise tax of 7½ per cent. The minister announces it in his budget. I see no basic conflict there. The governor goes a bit beyond the minister's announcement. He calls for measures to handle such difficulties as the lack of regional development. He advocates a national highways program much beyond

that which is in existence today. The governor of the Bank of Canada especially underlines the need to develop effective demand on the part of Canadian consumers and he makes many recommendations whereby effective demand in the hands of consumers might be enhanced. He is much more expansionist in this regard than are the policies that have been recommended to this house by the Minister of Finance.

The governor of the Bank of Canada on February 15 last recommended the establishment of a secondary mortgage market. We have since heard that this idea has now been adopted by the government. He recommends that our dollar on the international market be regulated. The only conflict I can see is that the policies of the Minister of Finance leave the potential value of the Canadian dollar very much in doubt. We do not know whether it is going to be discounted at 5 per cent next week, at 15 per cent or at any percentage. The recommendation of the governor of the Bank of Canada was that it be given a definite and fixed rate of exchange and that it be maintained at par with the United States dollar. We therefore fail to see very much of a basic conflict between the policies that have been adopted by the government and the policies that have been advocated by the governor of the Bank of Canada.

This morning we heard a long harangue. First of all, we had the crocodile tears shed on behalf of the personal welfare of Mr. Coyne. I believe that in the long run of things the Minister of Finance ought to be worried more about his own potential welfare in the years to come than about the welfare of the governor of the Bank of Canada. He said there is no personal element involved. Yet in all the releases I have read from the governor of the Bank of Canada there has been a lack of involvement of personalities. That is something that we certainly could not say for the speech of the minister of this morning. It was merely a diatribe attacking the integrity of the governor of the Bank of Canada. He complains of the attack of the governor on himself.

I believe that all the minister and the government are really worried about is that, after the governor of the Bank of Canada was made completely aware of the intentions of this government, he outmanoeuvred them, he outsmarted them at every turn, that he is now ending up on the top of the heap and the government finds itself on the short end of the stick and they are regretting it; and therefore, as the only way out in a desperate move, they are attempting to attack the integrity of the governor himself. How else can we explain the government's suddenly waking up to the fact after 16 long months have elapsed, that an increase has been allowed to the pension of the governor, despite the fact that the minister had the assistant deputy minister in attendance at this meeting 16 long months ago? The Canadian people will regard this only as a smokescreen.

The minister complains that confidential documents have now suddenly been released to the public. Did the minister expect that a responsible officer, the leading officer of the Bank of Canada, was going to allow his office to be dragged through the political mud from the Atlantic to the Pacific and that he would remain bound by that promise that all exchanges would remain confidential? Certainly in what the minister told us this morning he revealed many of the confidential discussions that had taken place. I contend the only complaint is that hon. gentlemen opposite are smarting under the ability of the governor of the Bank of Canada to outmanoeuvre them. This was something they had not expected. As I said before, they were so inflated with their arrogance that they did not think a civil servant would have the guts to fight back and defend his rights, much as I disagree and much as my group disagrees with many of the ideas that have been submitted over the past number of years by the governor.

There is another matter I wish to mention. The minister was asked the other day whether the international monetary fund people had been consulted on the proposal to tamper with the value of the Canadian dollar. The minister replied, in effect, that he could not be sure; Mr. Rasminsky, who is a deputy governor of the Bank of Canada, had been in New York on the day the budget was presented and he may have had discussions with the officials of the international monetary fund.

Mr. Speaker, we must consider this in the light of the minister's claim that the governor of the bank himself has not been consulted about the contents of the budget. The minister was very firm in making that claim. The minister inadvertently admitted that he has been consulting, regarding the contents of the budget before its release in this house, whom, if you please, but the deputy governor of the Bank of Canada; but he did not deem it advisable to consult with the governor of the Bank of Canada himself. I say this because unless Mr. Rasminsky had knowledge of the proposals contained in the budget, he would have been in no position to discuss these proposals on Tuesday last with officials of the international monetary fund. The minister really opened his flanks on that score, and it is one more clear indication that the minister over the past number of years, as it

now becomes obvious, has made very little, if any, effort to work in harness with the governor of the Bank of Canada.

The minister claims that he gave the governor every opportunity to go with dignity. What a farce this claim becomes when the minister himself admits that one of the five things he discussed with the governor when he asked him to resign was the issue of his pension arrangements, which had been settled by unanimous decision of the board of directors of the Bank of Canada as far back as 16 months previously.

How do you claim that you are asking a man to go with dignity when 16 months after the event, and after the minister's officials knew of this event, you raise this as a matter for discussion? The minister admits that the governor of the Bank of Canada asked for an hour to think it over. I want to compliment the governor of the Bank of Canada. He did not immediately rise in wrath, as the minister so often does in this House of Commons. He considered that his basic integrity had been attacked, but he at least asked for an hour to cool off, to think it over and to come back with a suitable reply. I think this is a procedure the minister himself might adopt on many occasions in this House of Commons and not be so perfectly ready to interject with "utter nonsense" and words of that kind.

The minister complains that the governor of the bank released confidential information to the Canadian public on June 13 last. The governor on that day knew and had already been informed that the arms of the directors of the Bank of Canada had been twisted and that very same evening they would be asking for the governor's resignation. All I can say is that the government have raised a phony issue here and their basic resentment is that they were outmanoeuvred by the governor of the Bank of Canada.

The minister says that parliament must decide who governs this country. I contend that parliament must also decide whether or not we get all the facts, and up till now it is obvious that we have not received the facts. To say that parliament must decide, in the light of the lack of the facts, is merely to say, "we will use our rubber stamp majority in order to enforce our will in this regard". The minister says:

> We will not accept responsibility for the governor and his actions when we have lost all confidence in him.

I would like to ask the minister how this happens to square with all his indications over the years that he has complete confidence in the Bank of Canada to determine monetary policy. The minister complains that the governor of the Bank of Canada had been requested to ease the tight money policy in the winter of 1957-58. I would like to ask the minister, how does this square with his continuous pledge to the House of Commons that he dare not interfere in the determination of monetary policy? Now today, at long last, he admits to us that he attempted indeed to interfere in the activities of the Bank of Canada as far back as 1957 and 1958.

I believe that the only complaint against the governor, as recited by the minister, in 1958 was the governor's action in releasing the annual report of the bank at the normal time because it was politically embarrassing to the government. This, in the eyes of the minister, was most reprehensible. Apparently he expected the governor of the Bank of Canada to consider the political fortunes of a political party over and beyond his responsibilities and his duty as governor of the Bank of Canada.

I feel this admission on the part of the government was most regrettable. They complain about that matter although the governor performed his functions in a proper manner. It happened to be unfortunate, I will grant, for the government of the day to have the annual report of the Bank of Canada released at that time. However the unpardonable sin of the governor of the Bank of Canada was that he performed his responsibility and released the annual report of 1957 in 1958, at the time this report is normally released. It happened to be embarrassing for the government, and therefore Mr. Coyne's head must roll.

The minister admitted that perhaps the government should have asked for the resignation of Mr. Coyne a long time ago. We agree with this wholeheartedly. If we are to believe the statements the minister has made in the last week or two, the government has shown itself to be utterly derelict in its responsibility to the people of Canada in not asking for the resignation of the governor. However if we are to believe the statement made by the minister over the years in regard to the activities of the governor of the Bank of Canada, the only conclusion we can come to regarding why now the government suddenly claim he is the evil influence on Canadian prosperity that they contend is that an election may be drawing nigh and they have to attempt to blame somebody else for their own lack of action over the past four years.

The minister agrees that it is up to the House of Commons to decide when the governor has to go. The governor himself has admitted that he ought to go if and when there is a basic conflict of attitude between the governor of the bank and the government of the day. But the minister today has not

produced any evidence that such a basic conflict exists. I recommend that hon. members read the statement of the governor of the bank submitted on February 15 last. In the main his prescription to end unemployment in Canada is not very far removed from many of the statements made recently by the Minister of Finance himself. The minister says this question should be left for the house to decide. I want to warn this government that though the matter might well be left to this house—and I have no doubt the house will likely go along with the government in reaching a decision—there is an even higher court than this parliament, namely, the court of the people. This smokescreen about the release of confidential documents, which is of more recent origin, is not going to work. The Canadian electorate today has gone beyond grades 1, 2 and 3. I believe the Canadian electorate will realize that this is nothing but a smokescreen. There is such a thing as character assassination. We contend that there has been nothing else, in essence, but character assassination in this issue. In no circumstances do we endorse a pension of $25,000 a year for any man in Canada. But let us not forget that this is not the responsibility of the governor of the bank. This was done by the unanimous decision of a Tory appointed board of directors of the Bank of Canada. If the minister is now able to twist the arms of the directors in order to persuade them to get rid of Mr. Coyne, how much easier would it have been for him 16 months ago when this pension issue arose to have twisted their arms and prevented this increase in pension being provided for a man who is supposed to be the retiring governor of the Bank of Canada.

The minister himself admits there is a need for the integration of fiscal and financial policies, but he has had to confess there was no consultation with the governor of the bank on the basically valuable submissions—I say this though I am not in agreement with them —made in the field of economic policy by the governor of the bank to the government on February 15 last.

I think the government imagined they could get away with it by going to the voters and carrying on an appeal against the bankers and those terrible people who increase their own pensions from $12,000 to $25,000 a year. I take the view that the Canadian people support fair play and believe that every man should be heard in court. Therefore we take great pleasure in endorsing the amendment which was moved by the leader of the official opposition.

[Mr. Regier.]

Mr. R. S. MacLellan (Inverness-Richmond): I watched the Leader of the Opposition (Mr. Pearson) taking part the other night in a conference on television. My impression from what he said was that he intended to drop Mr. Coyne like a hot potato. I think the hon. gentleman's speech here this afternoon has borne out that impression. He has dropped the governor of the Bank of Canada like a hot potato. Not one logical argument did he put forward why Mr. Coyne should not be fired by act of parliament. Not one argument did he bring forward why we should not proceed with this bill. I noticed no one questions whether or not Mr. Coyne should go. It is obvious to all that there has been a disagreement between the government and the governor of the bank, and in that situation the Leader of the Opposition and everyone else in this house agrees that the government should stay and not Mr. Coyne. The Leader of the Opposition went on to say that before Mr. Coyne leaves his post—before he leaves his barricades in the Bank of Canada —we should have a committee of the House of Commons inquire into the situation. The hon. gentleman says that under the bill of rights Mr. Coyne has the right to appear before a committee of parliament to state his case. He says that the bill of rights which was established to provide for the liberty of the subject, should keep Mr. Coyne from taking his liberty at the earliest possible date.

The question of Mr. Coyne's pension has been introduced. That is not germane to the particular question at issue. That is not the reason he was asked to resign, but certainly it is worthy of consideration by this house that the governor of the Bank of Canada in preparing for the conclusion of his term in office in December of this year should have made arrangements for a pension equivalent to that paid to former presidents of the United States, a pension which is some $22,000 greater than that received by the last prime minister of Canada. Of course, that is not the reason why Mr. Coyne was asked to take his leave, but it does indicate something of the nature of Mr. Coyne, something of his arrogance, something about what he himself, at any rate, thinks he is worth to this nation.

Why should there be an inquiry into this request that Mr. Coyne submit his resignation? The issue is a simple one. In the case of a disagreement between the Minister of Finance who speaks on matters of finance for the people of Canada, and Mr. Coyne, it is the governor who goes and not the minister of finance. That is in accordance with our parliamentary system. The only question before the house today is whether there has been a disagreement, whether the minister feels he

can no longer work with Mr. Coyne. If that question is answered in the affirmative, the bill should be passed without a dissenting vote.

Both the Leader of the Opposition and the hon. member who has just taken his seat agree that Mr. Coyne has no right to remain in office after being asked to resign, but they say he does have the right to appear before a parliamentary committee to state his case. It seems to me that the reasons are very clear why Mr. Coyne has to go. His statements were on many occasions contradictory to those of the Minister of Finance. It was obvious for all to see that Mr. Coyne did not agree with the fiscal policies of this government which he criticized from time to time. It is obvious there was sufficient difference there to justify the Minister of Finance in coming before this house and asking for a replacement.

Mr. Coyne is a man who stands for high tariffs, isolationism, ultra-protectionism. He seems to find in these policies the answer to Canadian employment and economic difficulties. He attacks deficit budgets, both federal and provincial, which would release more money to provide more purchasing power for our people and, above all, give us the opportunity which has been taken by the Minister of Finance in the budget, to stimulate those areas of the economy which need stimulating. Mr. Coyne's way is to increase taxes. Mr. Coyne's way is to disregard our international agreements, to raise tariffs and shut out goods of other nations. His way is to ride roughshod across agreements we have made with other countries of the world and to interfere with the movement of goods across international boundaries. The policy of this government has been entirely the opposite of that. It may well be that Mr. Coyne has the same purpose in mind as the present government but his proposed methods are entirely different.

This government has been working for four years to stimulate the economy of Canada. Policies have been brought forward to encourage the use of Canadian money in Canada, to encourage investment of Canadian funds in Canada. During the past winter we saw a trade conference called by the Minister of Trade and Commerce to try to speed up the sales of Canadian goods throughout the world. We have seen the vocational training legislation brought forward so that the young people of Canada who badly need new skills, mav obtain the ability to run the machines of our modern community. The government's desire is to give them that training. We have seen the special effort to sell agricultural products and we have noted particularly the tremendous success of the Minister of Agriculture in placing large orders with the republic of China. We have seen the development of our forestry industry. All of these moves have been purposed to stimulate the Canadian economy. All in this parliament, I am sure, like this government, want to stimulate the Canadian economy but not by ultraprotectionism, not by the inflexibility of interest rates, not by isolationism and anti-Americanism.

It is obvious to all of us that the conflict between the Minister of Finance and the governor of the Bank of Canada had to do with fiscal policy. Indeed, it has been asked what authority or what business the governor of the Bank of Canada had in going across the nation to weaken the work of a government which has been attempting to stimulate the economy of Canada. His position has been that if it will not be done my way it will not be done at all. This is the reason parliament is being asked today to declare a vacancy in the governorship in the Bank of Canada.

Every effort has been made in this budget to stimulate and aid the automobile industry by reducing the 7½ per cent sales tax. The whole economy will be helped by the decision to lower the rate of exchange on the Canadian dollar as against the United States dollar. This is a decision which would have been opposed by Mr. Coyne.

The Minister of Finance put up with Mr. Coyne as long as he could. He did everything he could to try to avoid a public quarrel with the governor of the Bank of Canada, to try to keep from open conflict which he knew would occur if he asked the governor of the Bank of Canada to resign. However, when this budget was to be introduced with its special accent on the development of the Canadian economy, the minister knew that Mr. Coyne could very well step back on the hustings, as he has been doing in the last few years, to attack the budget and the policies of the government.

In his very small argument on behalf of the governor of the Bank of Canada the Leader of the Opposition raised very few points. First he said there should be an inquiry. An inquiry into what? To illustrate the thing that is most obvious to all Canadians, namely that Mr. Coyne differed very widely from the Minister of Finance? He said the bill should not be brought forward and should not be passed by this house because no reasons are given in the bill for asking that the governorship be made vacant. Well, sufficient reasons have been supplied even

up to this time in this debate to show the Leader of the Opposition why this bill should be passed.

Then there is the very weak argument that Mr. Coyne after all is being charged as a criminal and should have the right to come before the courts to defend himself. No one is taking anything from Mr. Coyne that infringes upon his liberty. No one is discriminating against him because of his colour or his creed. How can the bill of rights apply in the matter of a public servant who finds that he cannot agree with the government of the day and who in his arrogance refuses to resign at the request of the representative of the people of Canada?

Another argument the Leader of the Opposition made was that if Mr. Coyne should be fired he should have been fired long ago. Many hon. members might agree that Mr. Coyne should have disappeared from the public scene long ago; that he has done harm to Canada in the speeches he made, in the policies he advocated, particularly when he spoke from a position which would lead the people to think that he spoke for the government of Canada. But the reason put forward by the Minister of Finance I am sure will indicate to every hon. member that he made every attempt possible to prevent a public quarrel with Mr. Coyne, and indeed only asked for his resignation as a last resort, because his removal is necessary to the measures proposed by the budget.

Last Friday, I believe it was, the hon. member for Leeds (Mr. Matheson), in speaking in the budget debate, raised questions with regard to the dismissal of Mr. Coyne, or the request for his resignation. Then he gave the house a list of the names of people who for one reason or another had resigned or retired from the public service and he attempted to argue that these people were fired from their positions; that the government was persecuting people in the public service. He suggested that the men whose names he listed were people who had been ousted from their jobs on government demand. He mentioned Mr. Hector McKinnon, chairman of the tariff board. Mr. McKinnon retired some three years ago at age 70. He certainly retired of his own volition; there was no question of his being asked to leave his post. I might say also that since then Mr. McKinnon has been working for the government and at the moment he is chief negotiator at Geneva where the GATT agreement is under negotiation.

Mention was also made of Mr. Clarence Shepard, the former chief commissioner of the board of transport commissioners. Mr. Shepard also left of his own volition to take up an occupation which he felt would be much more profitable. He is now vice president of British American Oil of Toronto.

The hon. member also referred to Mr. George McIvor, chief commissioner of the Canadian wheat board. Mr. McIvor retired from the wheat board because of age and for no other reason. He certainly retired of his own volition.

Reference was made to Mr. Davidson Dunton, formerly chairman of the board of governors of the C.B.C. It was well known to every member of this house that Mr. Dunton retired from the chairmanship of the board of the C.B.C. only because he much preferred a post he was offered as president of Carleton university.

The hon. member also referred to Mr. Ernest Bushnell, general manager of the C.B.C. who retired some time ago. I am sure that every hon. member, except the hon. member for Leeds, knows full well that Mr. Bushnell left the C.B.C. to set up the private T.V. station CJOH, Ottawa, which is certainly a much more profitable occupation than continuing in his work with the C.B.C.

Mr. L. H. Nicholson, formerly commissioner of the R.C.M.P. was mentioned. He retired from the R.C.M.P. after a difference with the Minister of Justice, as he ought to have done. This was a question on which the commissioner and the minister could not agree. Mr. Nicholson retired because he could not agree with the minister and his department, but he did not attempt to challenge the authority of the minister, the department and of the public of Canada as Mr. Coyne seeks to do.

Mr. Mitchell Sharp, former deputy minister of the Department of Trade and Commerce, also left of his own volition. Mr. William Buchanan of the tariff board left that board to establish himself in Ottawa as a tariff consultant and I am sure he would very much prefer to continue in that work than in his former post. Mr. Alan H. Jarvis, director of the national art gallery, left for reasons quite clear to everyone in the House of Commons. Mr. Charles Gavsie, of the St. Lawrence seaway, left the St. Lawrence seaway to become a partner in a Montreal law firm. Mr. Jean Lessard, of the St. Lawrence seaway, left that post to become chairman of the Quebec hydro.

In all of these cases, which are routine cases, men who were in the public service and who had received valuable training in the public service left to take up work which was more lucrative or which gave them a wider field for their abilities. It is the type of thing that always goes on in the public

service and none of these situations are tantamount to the request that was made to Mr. Coyne for his resignation.

As a matter of fact, far from the charge of the member for Leeds that the government is persecuting senior civil servants and public servants, everyone in the house is quite aware of the work that the government has done to restore civil servants to their proper position in the nation. The new Civil Service Act, which will shortly be before the house, is the first legislation in 43 years to improve the position of the civil service and the civil servants of Canada. It sets up negotiation procedures, grievance procedures, appeal procedures and so on which have been requested by the civil service for many a year. Needless to say, their words fell upon deaf ears for many years before 1957.

The Leader of the Opposition said there should be an inquiry. It is rumoured around the house today that this Bank of Canada debate could well take four or five days. Who is this proud man who refuses to accept the invitation of the Minister of Finance to resign? Who is this man who says he will not accept the will of the elected representatives of the people and says he will take his case over our heads to the people of Canada? Who is this prima donna of the Bank of Canada who would tie up this house for four or five days and then ask that in addition an inquiry should be conducted before a standing committee to go into a matter which is already obvious and clear to the Canadian people?

I am sure that there has been no more arrogant man upon the Canadian scene in many years than this man who refuses to resign and insists upon asking parliament to take up its time, when we have so much legislation before us necessary for the stimulation of the Canadian economy, to deal with his case alone. If this debate lasts four days or if it lasts 24 days, I venture to say there will be no member of the House of Commons who will get up and say that he is sorry to see Mr. Coyne go. I venture to say there will be no member of the House of Commons who will arise to say that Mr. Coyne should not have resigned when asked to do by the Minister of Finance.

Mr. Peters: Yes, there will be. There is one right here.

An hon. Member: And lots more.

Mr. MacLellan: I am glad to hear that Mr. Coyne has one friend in the House of Commons because up to now there has been very little argument put forward to support him.

Miss LaMarsh: That is not the issue.

Mr. MacLellan: Certainly as far as I am concerned I am prepared to support the bill and I am sure that most members of parliament will be glad to see this post in the Bank of Canada become vacant and a successor to Mr. Coyne appointed. The work of the nation must go on. Who is this man who will hold it up because he refuses to do what any other man would do in the same situation and yield to the constitutional privileges of the Minister of Finance and of the parliament of Canada?

Indeed, it has certainly come as a surprise to me to see so many members of the C.C.F. party rallying to the support of Mr. Coyne, although such support will not go so far, I am sure, as to say that this man should succeed and the people of Canada should fail. It is startling to hear that members of the C.C.F. party, who always pose as the champions of justice in the house, feel that Mr. Coyne after 6½ years in office is entitled to a pension of the type he has provided for himself. It is startling to hear that they are supporting a man whose policy, uttered many times across the nation, is against deficit financing at a time when more work could thereby be provided for people who are unemployed in the nation. It is interesting to hear members of the C.C.F. party rising to support a man who champions high interest rates and inflexibility in exchange rates.

It will be interesting to hear members of the Liberal party, who have always pretended to assume a position against high tariffs, rise to support this man who is the proponent of arbitrary high tariffs. I doubt very much, as I have said, if anyone will be sincerely sorry to see Mr. Coyne go. Indeed, I know that all members of the house agree that when a conflict arises between the government of this nation and the governor of the Bank of Canada, no matter how majestic the governor has made himself he should retire before the will of the people.

Hon. Paul Martin (Essex East): Mr. Speaker, the principle involved in the discussion before us is not complicated. No one, I think, will deny its importance. Therefore I am a little surprised that the Minister of Finance (Mr. Fleming) should not have been supported today by some of his ministerial colleagues, particularly by the Prime Minister (Mr. Diefenbaker).

Mr. Fleming (Eglinton): Give him time.

Mr. Martin (Essex East): I can only suspect that the Prime Minister has not taken part in the debate and has not been in the house this afternoon because of preoccupations involving the Prime Minister of Japan. But it

is inconceivable that in a matter of this importance the ministerial benches should not have been filled and that evidence should not have been given by the ministry and by the Conservative party as a whole of a deep interest in this matter. Instead, we have had a statement by the Minister of Finance and now one by the hon. member for Inverness-Richmond (Mr. MacLellan).

I must say I am amazed that a young member of parliament of the quality of the hon. member for Inverness-Richmond should have been guilty of some of the statements he made in the course of his speech this afternoon, particularly some of the questions that he put to the Leader of the Opposition (Mr. Pearson). Among those questions were: Why should the Leader of the Opposition plead for the right of the governor of the Bank of Canada to be heard? Why should the Leader of the Opposition urge this house to give to someone who opposed the Minister of Finance the opportunity of replying in another forum to arguments put forward today by the Minister of Finance in the exercise of what the hon. member said were the constitutional prerogatives of the Minister of Finance, whatever they may be?

I say to the hon. member for Inverness-Richmond that he cannot have followed clearly what the Leader of the Opposition said. I can only say that the hon. member has not fully understood the meaning of the phrase, rule of law. He has not fully understood what we mean by due process of law. He has not understood the implications in the mischievous bills of attainder of the Tudor period. He has not understood how Hitler dispensed justice by totalitarian methods without giving opportunity of reply to the accused. He has not understood the meaning of the energies and the exploits of Patrick Henry.

The hon. gentleman said, why should this house be put to the inconvenience of a five-day inquiry?

Mr. Pearson: Terrible.

Mr. Martin (Essex East): Has the hon. gentleman not understood that justice is something that cannot be confronted with the argument of inconvenience? Would the hon. member not be the first to rise in his place and defend the right of any accused, notwithstanding the inconvenience to which it might put any individual member of the house, whether it be a member of the government, whether it be a member supporting the government or a member in the opposition groups to make a defence of his position? If there is a violation of justice of any kind under our system of law and our form of government no man should be denied the opportunity of having his full day in court. That is the gist of the plea made today by the Leader of the Opposition.

Does the hon. member for Inverness-Richmond not recall the words of the bill of rights which he so strongly supported last year, that bill of rights which provides in section 2, as the Leader of the Opposition reminded us, that no law of Canada shall be construed or applied so as to deprive a person of the right to a fair hearing in accordance with the principles of fundamental justice for the determination of his rights and obligations?

If the bill of rights is now to guarantee to one charged with a violation of the Criminal Code the right to a fair hearing in accordance with the principles of justice, is the governor of the Bank of Canada, who has not violated our criminal law but who has simply disagreed with the policies of this government, to have less than that which is provided in that guarantee of the bill of rights for one who violates the Criminal Code?

The bill of rights also provides that no law of Canada shall be so construed or applied so as to deprive a person charged with an offence of the right to be presumed innocent until proven guilty according to law. The hon. gentleman I am sure in his studies is aware of the common law right of the citizen to be presumed innocent until found guilty, a presumption which, not without some effort, we in the Liberal party last year were able to have incorporated in the bill of rights.

Is this presumption of innocence to be accorded to a criminal, yet denied an important servant of the government of Canada? That is the issue in this particular situation, and it is one to which we have not had the Minister of Finance address himself.

The Minister of Finance comes in with a meagre bill asking this house to declare vacant a post which comes into existence as a result of a decision taken by the directors of the Bank of Canada, subject to the governor in council. These directors act under the authority given them in the Bank of Canada Act, yet we are now asked to declare this post vacant and to accept in substantiation of that plea of the Minister of Finance not the written evidence of the accused as well as the submissions of the prosecutor, but ex parte statements of the Minister of Finance made in the absence of the governor of the Bank of Canada, without giving him the opportunity of putting his side of the case before this house.

Mr. Grafftey: Oh, oh.

Mr. Martin (Essex East): The hon. member for Brome-Missisquoi (Mr. Grafftey) now seems to express some disagreement with me. I should remind that hon. gentleman, one of the younger members of this house, of his proud boast that one of the reasons he came into this chamber was because he could add his voice to the defence of freedom and our concept of the rule of law. Here is the opportunity for that hon. gentleman, with his whole future before him, to say to the government, I do not agree with what the governor of the Bank of Canada has done, nor with his policies, because I do not believe there can be two sovereignties in our country—

Mr. Fleming (Eglinton): Hear, hear.

Mr. Martin (Essex East): —but where a man is charged by one side and not given the opportunity to put his case forward then I must say, on the basis of an appreciation of what is often called ordinary British justice, I am going to fight for the right of that man at least to have his day in court. We are not getting that kind of support from the hon. gentleman. The two hon. gentlemen I have singled out are two young members of the Conservative party, and they should be among the first to join with the Leader of the Opposition in the plea that he has made today.

When I said a moment ago there could not be two sovereignties in this country the Minister of Finance applauded that statement. I should like the minister to know that this is not the first time I have made that statement in this house. I made that statement—

Mr. Fleming (Eglinton): On March 22.

Mr. Martin (Essex East): I made that statement on March 22 and I repeat it today. I have always taken the position, as has the Leader of the Opposition, that there is no room in this country for two sovereignties and that where there is a difference between a leading official in the public service and the government of the day there can be no public disagreement unless that disagreement is concurred in by the administration. We in this party have always stood for that principle. We have complained about the position taken publicly by the governor of the Bank of Canada, and no one has taken a stronger position in that regard than I have myself, and I am not afraid to defend that position. That is not what confronts us now.

When we argued that the governor of the Bank of Canada had publicly taken a position different from the government of the day in matters of fiscal policy in areas outside the monetary field, the Minister of Finance at no time indicated in this house, as the Leader of the Opposition pointed out, until very recently, that there was any disagreement between the governor of the Bank of Canada and himself. We were told this morning for the first time of a situation that eventuated in 1957-58. The Minister of Finance as a result of that admission today stands indicted by his own words. If that was the situation three and a half years ago the government of this country, and particularly the Minister of Finance should have taken the step, but taken it in circumstances that would not have destroyed or weakened the confidence which the Canadian people and people outside in other countries should have in our financial institutions, including the Bank of Canada. That is the situation that confronts us now.

We have asked repeatedly in this house for the right to examine the governor of the Bank of Canada on these statements in areas outside the field of monetary policy, a field in which, under the Bank of Canada Act, he is given the power of formulation and direction. That does not mean, of course, as we have heard repeatedly argued, that the government has not a responsibility in that field as well. We have taken the position, and we reiterate this position, that the government of Canada is responsible for policies laid down by any agency of government in our country. No government, unless it wants to abdicate its functions and abdicate its responsibility, could take any other position. In the field of monetary policy, this has always been done as was pointed out by the hon. member for Burnaby-Coquitlam (Mr. Regier) a few moments ago in respect of the position of the Minister of Finance of Canada. That was the position taken by Mr. Charles Dunning when he said:

> A long continuance of a policy that conflicts with the government view becomes impossible.

That was the position taken by Mr. Ilsley when he said:

> The monetary policy which the bank carries out from time to time must be the government's monetary policy.

That was the policy of Mr. Abbott when he said:

> The ultimate responsibility must fall upon the government.

That was the policy of Mr. Harris when he said:

> The government is satisfied ... that ... it was desirable to moderate the rate of monetary expansion.

The Minister of Finance is the only minister of finance who takes a different view. I compare what the minister has said now with what Mr. Rhodes said, in 1934 when the Bank of Canada Act was introduced in this house by the Conservative government, that

the government has no authority in the field of monetary policy, because he has forgotten that, as a private member of this house in the banking and commerce committee, the member for Eglinton of that day, now the Minister of Finance, said the minister of finance had a very direct responsibility.

Mr. Fleming (Eglinton): That was before 1957-58.

Mr. Martin (Essex East): There can be no doubt as to the position of the government in relation to the Bank of Canada in the field of monetary policy. If the governor of the Bank of Canada had at any time formulated a monetary policy which was in disagreement with the views of the government, the course was clear. It was clear it was the duty of the government, in such circumstances, to make that position clear to the governor. From what the present governor has said and from what the former governor has said we know that in such circumstances there would be no alternative but for the governor of the Bank of Canada to resign. But there is no question of such disagreement here in this particular situation between the governor of the Bank of Canada and the government on monetary policy. That is not the issue before us.

We learned only a few days ago from the Minister of Finance that it was only on May 30 that the Minister of Finance and the governor of the Bank of Canada profoundly disagreed in those areas outside of the governor's specific legislative authority, namely, in fiscal and financial matters and that there was a disagreement between the governor and himself. He says today that there was disagreement away back in 1957-58. I repeat that was the time for the Minister of Finance to act in accordance with what are erroneously called the constitutional prerogatives of the Minister of Finance.

This question of the responsibility of the government in the matter of monetary policy is important in this discussion. We have had circulated today two letters, one dated June 9 and one dated June 26, signed by the present governor of the Bank of Canada and addressed to the Minister of Finance. I want to comment on these two letters in supporting the position taken by the Leader of the Opposition today, that this whole matter can be satisfactorily disposed of only by full opportunity being given for the full disclosure of all the facts. The Minister of Finance cannot, in all fairness, take the position that he alone is in a position fully, fairly and objectively, to disclose the facts.

We have here before us the letter of the governor of the Bank of Canada of June 9.

I think it is important that some excerpts from this letter be placed on *Hansard* at this time. In the second paragraph of this letter the governor of the Bank of Canada states:

> On this last point I have expressed the view frequently, and I have no doubt this has been reported to you, that the relationship of the bank to the government should be clarified and the overriding responsibility for monetary policy declared to rest on the government (as it always has done in fact) by appropriate provision in the statute. Lord Cobbold, the governor of the Bank of England, on his last visit here told me, and perhaps you also, that the provisions to that effect in the Bank of England act carried his complete support and did not in his view derogate from the operating independence of the Bank of England or from its status as an entity separate from the government and with a responsibility of its own, although in certain circumstances the governor of the bank might find himself in such fundamental disagreement with government policy as communicated to him that (unlike a civil servant) he would find it necessary to resign, no doubt giving reasons for his resignation and allowing those reasons to become the subject of public information and discussion.

We were not told anything about this by the Minister of Finance. We were not told that the governor had explained to him, as he explains in this letter of June 9, what his position was with regard to resignations in the matter of a disagreement in the context as visualized by Lord Cobbold and by the governor of the bank himself in this letter.

Mr. Fleming (Eglinton): That letter I said was received on June 12.

Mr. Martin (Essex East): My friend said there was a letter but he did not tell us what was in that letter.

Mr. Pickersgill: He concealed it from parliament.

Mr. Martin (Essex East): He did not tell us that, any more than he told us what was in the letter of Mr. Bryden about which I am going to have something to say. We have not heard anything of this story yet. If the Minister of Finance wishes to create in the minds of the people of this country the confidence that he should promote as Minister of Finance, he should be the first to assist us in the fullest exposition of all of the dirty circumstances involved in this matter.

I stand here and I fully except the charge made by the Minister of Finance that in the industrial relations committee I had taken issue with the governor of the Bank of Canada and, I learn now for the first time, in such a manner as to warrant the latter's seeking the intervention of the Minister of Finance by way of protection against me.

Mr. Fleming (Eglinton): No; I did not say that.

Mr. Martin (Essex East): I took issue with the governor of the Bank of Canada; I took serious issue. However, I tell my hon. friend that I took my issue with him in an open manner. I was not afraid to tell the governor of the Bank of Canada what I thought about the policies of the investment committee of the unemployment insurance commission. I therefore stand today with the Leader of the Opposition, not as a protagonist for all that the governor of the Bank of Canada has done. I believe in the desired stability of the Bank of Canada and because I believe in fair play and British justice, I say that the only way in which satisfactorily to conclude this matter is to give the governor of the Bank of Canada an opportunity to answer the Minister of Finance before a responsible committee of this house.

Here is another letter from the governor of the Bank of Canada dated June 26, in which he states this:

> What is at issue here is the right of Canadians to know why I refused to meet the demand of the government.

If it is the right of Canadians to know this, it is also the right of their representatives in parliament; and that is why we want a committee. The governor goes on to state this:

> The terms of Bill 114 make it clear that you, Mr. Fleming, and the government are still not prepared to accept a broad and ultimate responsibility for monetary policy, but merely want to have the power to change the governor at a time when it suits your political purposes to do so.

That is a serious charge. Is it true? That is a charge made by the governor. Let us confront him and find out whether that is the fact.

Mr. Fleming (Eglinton): It is not true.

Mr. Martin (Essex East): If it is not true, then let us determine that fact in a committee. On that committee will be a majority of members of the Conservative party. They can listen to this charge and they can determine, in their objective manner, whether or not it is true, that the government has acted only for political purposes.

Then the governor goes on to say this:

> The point which I am concerned to bring before public opinion—and which you, Mr. Fleming, and the government are trying to prevent me from bringing before a parliamentary committee—is that the position of governor of Canada's central bank will be destroyed, and the whole institution will become merely an arm of a political machine, if the governor is to be terrorized into resigning whenever the government of the day wants him to, without any issue of policy being raised, without the government stating its monetary policy in parliament or elsewhere, and without the government accepting responsibility for monetary policy.

Those are serious charges. In the face of the bill of rights, in the face of the attack made by the Prime Minister on any violation of the rule of law, are we in this house going to take the position now, in the face of these serious charges, that this house must make its mind up on the mere say-so of a prejudiced Minister of Finance?

Then on page 3 of his letter of June 26 the governor goes on to state this—

Mr. Henderson: Mr. Speaker, may I ask a question?

Mr. Martin (Essex East): At the end of my speech I shall be glad to answer any questions.

Mr. Deputy Speaker: Order. The hon. member for Essex East has the floor.

Mr. Martin (Essex East): In his letter of June 26 the governor goes on to state this:

> On March 20th after telling them of my talk with you, Mr. Fleming, (of March 18) I asked them in open meeting whether any of them felt I should resign. Every one of them said, "No".

I say to the Minister of Finance now that it was a result of his intervention that action was taken by the directors, not in accordance with the terms of section 5 of the Bank of Canada Act but in spite of those terms, that the directors expressed their regret in asking for the resignation of the governor of the Bank of Canada. I say that the Minister of Finance had no right to do that. I charge him now, first of all with improper relations with the directors of the bank.

Some hon. Members: Oh, oh.

Mr. Martin (Essex East): I charge him with exercising unfair duress on the directors of the bank. Hon. gentlemen may laugh, but the people of Canada will not laugh when the facts of this matter are properly exposed. Then I ask hon. gentlemen to laugh at this. The governor goes on to point out at page 4:

> You, Mr. Fleming, were told by Mr. Bryden about a possible change in these provisions six months before the directors acted in February, 1960 and you have a letter from Mr. Bryden to prove it, which you persist in concealing.

Some hon. Members: Oh, oh.

Mr. Martin (Essex East): The governor goes on:

> The deputy minister of finance was told by Mr. Bryden about the actual proposed action a week before the directors' meeting at which action was taken and he said he thought the proposed change was reasonable.

I would like to examine the governor on the matter of pension. I would like to examine the board of directors on all the circumstances of this pension. I am told that Mr. Bryden is a close friend of the Minister of Finance. I

am told that he was a supporter of the Minister of Finance and a worker in the minister's electoral interests. I am told that Mr. Bryden, after taking the initiative in the meeting of the board of directors, discussed this matter within ten days of that meeting with the Minister of Finance—

Mr. Fleming (Eglinton): That is not true.

Mr. Martin (Essex East): —and yet the Minister of Finance told us the other day that he did not know of this except in the month of February last.

Mr. Fleming (Eglinton): I did not say that.

Mr. Martin (Essex East): Yes, you did.

Mr. Fleming (Eglinton): I said I first heard of it in the spring of 1961.

Mr. Martin (Essex East): I challenge the minister to deny that he was told by Mr. Bryden long before that, not only of the fact but the reasons which prompted him to take the initiative that he did take with regard to this pension about which, as one member of this house, I would like in turn to question the governor and the directors of the bank, to ascertain what are all the facts.

Mr. Fleming (Eglinton): Mr. Speaker, is the hon. member challenging my statement and saying that I heard about this action taken by the board on February 15, 1960—

Mr. Martin (Essex East): I have made my statement.

Mr. Fleming (Eglinton): —within ten days of that meeting, or some time before—

Mr. Martin (Essex East): I say, within ten days.

Mr. Fleming (Eglinton): I say that statement is utterly false, Mr. Speaker. I repeat what I said earlier, that I first learned of the action taken by the board of directors on February 15, 1960 in the spring of 1961.

Mr. Pickersgill: Where is your flag?

Mr. Martin (Essex East): Let me read further what the governor said:

> I believe the public are entitled to have these charges and the true facts reviewed by a parliamentary committee—before I am wrongfully removed from office—and to have all aspects of the matter brought out and considered. I demand that they be reviewed by a parliamentary committee where I can be given a fair opportunity to be heard, and where they can be submitted to the judgment of public opinion. The use of smear tactics, and the attempt to intimidate public servants with the idea that smear tactics will be used against them in public if they do not bow to improper suggestions from the government, should not be allowed to go on.

Mr. Fleming (Eglinton): Here is where the smear lies; you are spreading it.

[Mr. Martin (Essex East).]

Mr. Martin (Essex East): My hon. friend means the Bryden matter?

Mr. Fleming (Eglinton): I am referring to what you just read.

Mr. Martin (Essex East): Let me read it again:

> You, Mr. Fleming, were told by Mr. Bryden about a possible change in these provisions six months before the directors acted in February, 1960 and you have a letter from Mr. Bryden to prove it, which you persist in concealing.

There is the statement made by the governor. I am not saying it is true; I am not saying it is untrue; but I am saying it is not at all what the Minister of Finance said.

An hon. Member: You are not saying anything at all.

Mr. Martin (Essex East): It is contrary to what the Minister of Finance said, and we are entitled, surely, to ascertain in a matter of such fundamental importance which of the two witnesses, the Minister of Finance or the governor of the Bank of Canada, has made a statement in accordance with the facts. Are we now to be denied again, by one of the partisan witnesses, the Minister of Finance, the opportunity of contesting his statement or having a contrary view put forward by someone who does contest it? That is the issue, pure and simple.

This government has a large majority behind it. Hon. members opposite can pass this bill without any difficulty, if they want to. Tyranny of the majority is something that this government has exercised on other occasions before this particular one—

Some hon. Members: No, no.

Mr. Martin (Essex East): —but that will not settle this matter in the minds of hon. members of this house or in the public mind, because whatever views there may exist in Canada at the present time regarding this regrettable matter, there is one view that one hears all over, and that is that the government has ineptly handled this whole situation and the only way to restore confidence is for the governor of the Bank of Canada to be given an opportunity of saying exactly what he believes the situation to be.

Mr. Fleming (Eglinton): You are saying it for him now.

Mr. Martin (Essex East): In the final page of this letter we have this statement by the governor of the Bank of Canada. Here is the governor saying, "Give me my day in court. Put me under the provisions of the bill of rights. Let the rule of law apply to me. Let me not be denied justice. If you give me that

right, then I make this statement to you"—and here it is; and what more fair statement could one find? The governor writes:

> If in the end, following such discussion, an honest difference of opinion proved to be unbridgeable, then it would be the duty of the governor to resign and to give the people of Canada a full explanation of the reasons for his resignation.

What could be more reasonable than that? Under the Bank of Canada Act the governor holds office for a period of seven years during good behaviour. The Minister of Finance has not alleged today that any of the circumstances which are put forward in an ex parte manner by him constitute a violation of the meaning of the phrase "good behaviour". Therefore the only way in which the governor can in law be compelled to resign is where there is a difference in policy; where first of all, let us say, in the field of monetary policy the government does not agree with the policy pursued by the governor of the bank.

That situation is not before us. The Minister of Finance says that is clearly not the situation, because under no circumstances does this government in any way accept responsibility for monetary policy, notwithstanding what may have been the position of preceding ministers of finance. Then in the field of public debt, in the field of financial policy, in fiscal matters, the governor has not up until very recently, we were told, expressed any views that embarrass the government or are not in accord with the government of today.

We learned there was disaccord only as a result of the revelations by the Minister of Finance this morning. It was only in the middle of May that there was a conflict in this regard. The minister need not look at me seriously as though he did not understand; he has repeatedly taken the position in this house that there was no dispute between the governor of the Bank of Canada and himself until a few days before we learned that he had asked for the resignation of the governor of the Bank of Canada, thereby—

Mr. Fleming (Eglinton): It is your imagination there.

Mr. Martin (Essex East): —leaving open to public conjecture the inevitable suggestion that there were political reasons for the course the government took on May 30. It is significant that on May 29 four by-elections were held in this country and in those four by-elections—

Mr. Churchill: You got licked in three of them.

Mr. Martin (Essex East): —the total vote was overwhelmingly against this government. The government had to look for a scapegoat, and what better scapegoat than the governor of the Bank of Canada?

Mr. Fleming (Eglinton): We always had you.

Mr. Martin (Essex East): That is the disgraceful position in which we have been placed. I say this to the Minister of Finance. For this kind of situation to have eventuated on the eve of the presentation of a budget represents, I suggest to him, a most irresponsible course of action. I am not alone in this thinking, because I find that the governor of the Bank of Canada says at page 2 of this letter:

> In the absence of any other real explanation of the government's action it may yet be proved that political intentions were the real purpose of the move to get rid of me.

Is that true? Is that the true situation? Are we not to be given the opportunity of finding out whether there is any basis of fact for this statement which appears in today's letter of the governor of the Bank of Canada?

This matter has concerned the people of Canada. I am sure we are all aware of the public interest in this discussion. We have not had in many months as deep an interest in our affairs as we have had since the presentation of the budget in this situation known as the Coyne-Fleming affair. The result is, whether or not hon. gentlemen agree, all over the country there is disquietude. There is the feeling that this government, composed of men who have had no great business experience, have allowed themselves to get into a position where our financial structure stands in danger and where there is uncertainty whether it may be further endangered as a result of the dispute which has arisen between the head of the central bank and the government of this country. This has never happened before. This has never happened in any country where there is a central bank. It has never happened in the United States; it has never happened in the United Kingdom; it has never happened in any of the Scandinavian countries.

Mr. Churchill: There is only one Coyne, that is why.

Mr. Pickersgill: There is only one Fleming.

Mr. Martin (Essex East): The reason this has happened in this country is that we have a government which is prepared to prostitute the interests of the nation in furthering its own political advancement. If that statement is found to be too strong, then the Minister of Finance, the Minister of Veterans Affairs (Mr. Churchill), the Minister of Justice (Mr. Fulton), the Minister of National Health and Welfare (Mr. Monteith) and the other ministers

who are here have the opportunity to live up to the terms of the bill of rights which they have put on sheepskin, which they have distributed all over this country as a symbol of fundamental freedoms and liberties in Canada. Let us have as a first manifestation of the integrity of that expressed faith an acceptance of the proposal that in a matter of this importance where no protagonistic position is taken by the Liberal opposition, for or against, we should give to the accused an opportunity of stating his side of the case.

The Minister of Finance need not sit there in great smugness. He may be able to show that certain banking institutions and others in this country feel that this matter has, finally, to be resolved. As the Leader of the Opposition has said, undoubtedly this regrettable situation has reached the point where the usefulness of the governor has been impaired. But that position has been brought about by the way in which this matter has been handled by the government and in particular, I regret to say, by the Minister of Finance. I cannot believe that the Minister of Finance having taken the position throughout all these months that there was no disagreement between himself and the governor could have agreed in the dying days of the month of May to take the course he did without the greatest pressure being put on him by his colleagues and perhaps by the Prime Minister. We do know that we had been seeking for weeks to ascertain from the Minister of Finance when he was going to bring down his budget, a budget that had been delayed as no other budget in our history had been delayed. Undoubtedly, there were special reasons. We now perhaps have found what some of those circumstances are in the letter of June 26 circulated today by the governor of the Bank of Canada when apparently in the mind of the minister was a budget of an altogether different type from the one put forward the other day.

Mr. Fleming (Eglinton): That is a false statement.

Mr. Deputy Speaker: I am sorry to interrupt the hon. member, but his time has expired.

Mr. Egan Chambers (Parliamentary Secretary to the Minister of National Defence): It is always most interesting to listen to the hon. member for Essex East. I have found it fascinating from time to time to follow his grandiloquent rhetoric, his rolling inconsistencies, and I have often wondered where he picked up that particular style. I have wondered where, in the background, was his mentor. I came across it the other day in a book which gives an account of a speech by the Hon. A. E. Windheaver some years ago. I should like to quote briefly from this speech in order to show the similarity of style:

> Literary movements grow, fashions change, and people leave the country. But geology is founded upon a rock. The great Liberal party, which I have the honour to represent and which is not responsible for these roads, may some day pass away. But when that day comes, and I say it advisedly, when that day comes, the price of wheat will be down to 20 cents, f.o.b. Fort William, the fodder crops will rot in the fields, and these here roads will be the home of the rearing cactus and the gopher. The Liberal party has always fought against that type of thing. But when that day comes, I want to say that geology will still be geology. We've got the whole north country unexplored and undeveloped. Think of it! Over four million square miles of solid rock. And we are going to use that money to put the agriculture of Saskatchewan on a solid footing.

It is sometimes a useful trick.
May I call it six o'clock.

At six o'clock the house took recess.

AFTER RECESS

The house resumed at 7.30 p.m.

Mr. Chambers: Mr. Speaker,—

Mr. Martin (Essex East): All the young members of the Tory party.

Mr. Chambers: I trust the *Hansard* reporter caught that remark of the hon. member for Essex East, because it is exactly those young members of the Conservative party who are most concerned with the issue facing us tonight.

Mr. Martin (Essex East): They should be concerned with human freedom.

Mr. Chambers: The issue is one of responsible government. The question before this parliament today is how we should be governed, whether our policy should be made by those who have been elected by the people of Canada or by officials.

The young members of the Conservative party to whom the hon. member made reference take their stand quite squarely in favour of responsible government, in favour of having the conduct of our affairs in the hands of those who have been chosen by the people of Canada. Under our system, when any issue arises between those who have been elected and chosen by the people to conduct their affairs, and those who have been appointed as officials, then the elected government must prevail.

Mr. Martin (Essex East): No doubt about that.

Mr. Chambers: We are really not concerned with what the policy differences are between the Minister of Finance and the Bank of Canada; what concerns us is the fact that the disagreement exists and, as has now been demonstrated by the public utterances of the governor, those differences are certainly on his side, irreconcilable. We have evidence now in the public press, in the frequent publicity hand-outs of the governor—

Mr. Brunsden: Twenty five pages.

Mr. Chambers: —of the type of difficulty that the Minister of Finance has been faced with over the last four years. The only comment I can make on that is one of amazement at the extraordinary patience of the Minister of Finance in the face of such an attitude.

This afternoon the hon. member for Essex East made much of the bill of rights. The bill of rights is a most important enactment. The right we are concerned with here is that of the people to be governed and to have their policies formulated by people of their own choice.

Let us consider for a moment what the Leader of the Opposition would do were he faced with a similar situation, and we have some evidence in that regard because at a press conference on television the other day he was asked a question and his reply was as follows:

It never need have arisen—

He was referring to the controversy. He went on:

—and when it did arise between the Minister of Finance and the governor of the Bank of Canada, surely that is where and when the Prime Minister of this country should have stepped in, taken his responsibility and settled this matter.

He was then asked this question:

And ask for Mr. Coyne's resignation?

This is his answer:

And settled this matter in a way which would not have resulted in public controversy and it could have been done, I am sure.

Today this same hon. gentleman rises in this house and says that this whole matter should be debated before a committee of the house. Here surely is a way to avoid public controversy; here surely is a way to maintain the integrity and dignity of the Bank of Canada, which are so important to our reputation both nationally and internationally. In effect, what the Leader of the Opposition has said is that the government should have tried to arrange for the governor of the Bank of Canada to go quietly. This is exactly what the Minister of Finance did, Mr. Speaker.

Over the years the Minister of Finance withstood the embarrassment that was created for him by the public utterances of the governor.

Mr. Pickersgill: For him, yes.

Mr. Chambers: The minister defended him in the house. He has tried in every way to reach an understanding whereby the governor of the Bank of Canada would see his duty. When the time came that it became evident beyond all question that it was impossible to instruct the governor in his duties, he then tried to give the governor a way of gracefully withdrawing without any public controversy, as the Leader of the Opposition has recommended. The governor would then have had the choice of keeping his peace or as a citizen making whatever statements he felt should be made on the public platform because every citizen has that right except those whose duty it is to co-operate with the government in the fulfilling of the policies that the government lays down.

Instead of accepting the offer that the Minister of Finance made, what has happened? The governor embarked on an open attack on the Minister of Finance and the government. Using all the resources of political publicity, using all the resources of the bank, which were not designed for such a purpose, he attempted to muster public opinion behind his views and to cast discredit on the views of the Minister of Finance and the government.

Hon. members in the opposition say that the governor must be heard. Be heard. We have heard nothing else in the last few weeks. The noise of the governor is deafening. How has he been heard? He has been heard in a political attack on the government of the day on questions many of which are not in the realm of the responsibilities of the Bank of Canada. This is political action, Mr. Speaker, and I for one would welcome the governor of the bank on the political battlefield when he so arranges his affairs that he is eligible to take up that position. So far he has not. He even goes so far in his latest communiqué as to speak of elections.

Everyone in Canada has the right to discuss politics and elections but in the case of a public official he must first resign. This is the long tradition that has been observed in this country and in those other countries whose traditions we share. Many times a public servant has found himself in such disagreement with the government that he feels he can no longer carry on. The honourable course has been known for years. He must first resign and then make his views known. This was the course that the governor rejected.

It is suggested, according to the amendment, that we should place this whole matter before a committee of the house, and it is interesting, it seems to me, to speculate on why members of the opposition would like to follow this course. They would like to follow it because they want to see before that committee a debate on policy between the Minister of Finance and the governor of the Bank of Canada. They themselves have not the desire or the courages—or whatever it may be—to espouse the policies of the governor but they think the enuciation of these policies before a committee might damage the Minister of Finance, and that is what they want. The fact that it would also damage the Bank of Canada, damage our public credit at home and abroad, means nothing to them. Not at all. Let us have the circus. Never mind what happens to Canada's position in the world. Let us have the circus. Let us see if we can damage the Minister of Finance. This kind of thing would be unprecedented.

It has been forecast that there will be a royal commission that will investigate this whole area of our public affairs. It is not possible to forecast what witnesses such a commission would call but it is perfectly conceivable that the governor of the Bank of Canada, having resigned and having recaptured his right to public comment, could ask to appear before that commission. Our concern, Mr. Speaker, is to get over this unfortunate matter with the least damage to the Bank of Canada and to the credit of Canada as a whole.

The forum for debate of fiscal and monetary policies is here in this house and the people who are chosen by the electors of Canada to conduct that debate are here in this house. For our side they are the Minister of Finance, his colleagues and those who sit behind him, and for the side of the opposition similarly it is those who have been elected for that purpose. Here is where the debate should take place between those who represent varying degrees of opinion in the country, not in a debate between elected representatives and public officials.

I mentioned a few moments ago that the governor had taken a most extraordinary course. Instead of resigning, as tradition demanded, and then making his views known, instead of accepting the offer of the Minister of Finance to let him conform to our traditions with dignity and resign, he chose the one way that is forbidden to public officials. He chose political action. I must say that he has been a keen student of political action, and I wonder whether possibly some member who sits across the floor has found himself in a position to advise him on tactics.

Some hon. Members: Oh, oh.

Mr. Churchill: It sounds like it.

Mr. Benidickson: Let us have a committee and find that out too.

Mr. Chambers: No doubt as opportunity arises those hon. gentlemen who are friendly with the governor will be in a position to deny this. But certainly he showed great tactical skill in the release of the letters at a time when the minister was in the house and had no opportunity to prepare a reply, the release today of a letter dated June 26 which was delivered, I understand, to the office of the Minister of Finance over in the Confederation building when he was here, but somehow was also—

Mr. Fleming (Eglinton): One hour after it was given to the press.

Mr. Chambers: One hour after it was given to the press, and not only here but somehow also at about the same time it was delivered to newspaper offices at least in Montreal and I suspect in the rest of the country.

Mr. Fleming (Eglinton): Through local Bank of Canada offices.

Mr. Chambers: I was able to get a copy of this letter by telephoning the public relations department of the Bank of Canada. They informed me that copies were available.

Mr. Benidickson: The minister had it just as fast as we had it in the house.

Mr. Fleming (Eglinton): I got it one hour after it was released to the press. Did you get that?

Mr. McIlraith: He is just copying the minister's technique.

Mr. Speaker: Order.

Mr. Chambers: There has been some question whether in fact a sufficient degree of disagreement existed between the governor of the Bank of Canada and the government that he should resign. There is another factor which, as far as I know, has not been considered. I refer to section 16 of the Bank of Canada Act which reads as follows:

> Every director, officer, clerk and employee of the banks shall before entering upon his duties take before a justice of the peace or a commissioner for taking affidavits, an oath of fidelity and secrecy in the form prescribed in schedule A.

The first part of schedule A can be summarized by saying that it is the oath to faithfully fulfil the duties, but the second part I should like to quote as follows:

> I further solemnly swear that I will not communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of the bank, nor will I allow any such person to inspect or have access to any

books or documents belonging to or in the possession of the bank and relating to the business of the bank.

Mr. Speaker, apart from whatever else may be said, it is my contention that the governor of the Bank of Canada is in violation of that oath. Such being the case, this is not the time for prolonging a controversy, as the Leader of the Opposition has suggested, and I agree with him. This is not the time for dragging out things which will do further damage to the bank and the country. This governor should stand not upon the order of his going, but go at once.

Mr. Brunsden: Mr. Speaker, will the hon. member permit a question?

Mr. Pickersgill: No.

Mr. Brunsden: I am directing a question to you.

Mr. Pickersgill: Oh, I beg your pardon.

Mr. Brunsden: I should like to ask the hon. member whether or not the very voluminous documents that have come from Mr. Coyne's office, not only to us but to all parts of Canada, have been paid for by himself or by the government of Canada?

Mr. Chambers: Mr. Speaker, I am afraid I cannot go any further than to say the documents I have obtained today were obtained from the public relations department of the Bank of Canada.

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, there was one observation made by my friend the hon. member for Essex East (Mr. Martin) with which I profoundly agree and which goes to the very basis of this debate today. My hon. friend said that there could not be two sovereignties in this country. He was absolutely right. It is perfectly obvious, sir, that—

Mr. Benidickson: Heads will roll.

Mr. Pickersgill: It is perfectly obvious, sir, that there is only one sovereignty in this country and that is this parliament. There has not been one jot or tittle of evidence produced by the Minister of Finance (Mr. Fleming) or by either of the two hon. gentlemen who have spoken for him to suggest that the governor of the Bank of Canada in anything that he did at any time sought to usurp the power of the government.

Mr. Drysdale: Where have you been, Jack?

Mr. Pickersgill: I have paid as much attention to this matter as anyone has. There is abundant evidence that this government, which is the servant of this house, has usurped the rights of parliament. The minister beat his breast over and over again disclaiming the responsibility which was his and which Mr. Coyne has urged him to assume.

Mr. Fleming (Eglinton): No, he did not.

Mr. Pickersgill: As my friend the hon. member for Essex East pointed out this afternoon, the minister has dodged and shirked his responsibility and when he got in a jam he got orders from the east block—from the Prime Minister (Mr. Diefenbaker)—to get rid of Coyne. The minister then went behind the back of this parliament—he sneaked behind the back of this parliament—in an attempt to get the governor to leave, as he says, with dignity and as quietly as possible.

The minister himself has told us that the governor was responsible to parliament, not to the government, yet the minister seeks to undermine parliament by taking away the rights of parliament, assuming them for himself, in seeking to make a secret deal, conniving to make a deal with Mr. Coyne about which, if Mr. Coyne had complied, this parliament would never have known of. That is the kind of thing that has been happening. If Mr. Coyne had been as gutless as the Minister of Finance showed himself to be by his speech this afternoon when he talked about not having had the courage to take this step for four years, he might have succeeded and Mr. Coyne would then have supinely gone his way. He did not because, whatever else you can say about Mr. Coyne, you cannot say that he has not got courage.

An hon. Member: He certainly has got gall.

Mr. Pickersgill: No one can say that he has not got a high sense of his responsibility to this parliament. I say that the Minister of Finance confessed the other day that he tried to usurp the rights of parliament by putting himself in the place of parliament. That is what he tried to do. This is all the more extraordinary when one recalls some of the things that have been said by the Minister of Finance in the past. I intend to recall only one of them, because it is very relevant. The Minister of Finance in 1955—

Mr. Campbell (Stormont): Mr. Speaker, I should like to rise on a question of privilege.

Mr. Pickersgill: In 1955 the Minister of Finance—

Mr. Speaker: Order. The hon. member for Stormont is rising on a question of privilege.

Mr. Campbell (Stormont): Mr. Speaker, the hon. member has endeavoured to mislead the house in that he said there was not one jot or tittle of evidence that Mr. Coyne endeavoured to usurp the prerogatives of this

house. I contend that he has usurped the prerogatives of this house because, as the Leader of the Opposition stated—

Mr. Speaker: Order, order. Will the hon. member please resume his seat. The hon. member, as he has indicated himself, is presenting a contention, not raising a question of privilege.

Mr. Pickersgill: Mr. Speaker, I was about to recall to this house, and perhaps to the hon. members who have been more recently elected, one of many statements in respect to the rights of parliament made by the present Minister of Finance in the year 1955 when that hon. member professed to have some concern for the rights of parliament, which he has certainly not demonstrated since the day he took his seat on the treasury benches. Not even excepting his leader, no other member on the treasury benches has shown uniformly the contempt for parliament and for the members of parliament, or for the opposition, that the hon. gentleman has shown throughout his term there. In those days when he was over here showing contempt for the Speaker and the Chair, which was his main line when he was over here—

Mr. Bell (Carleton): That is more foolishness.

Mr. Pickersgill: Well, you just don't like it.

Mr. Bell (Carleton): That is just more foolishness.

Mr. Pickersgill: You do not want to hear what the minister said as a private member, but I think it ought to be on the record. The minister quoted these words:

> "Parliament is the grand inquest which has the right to inquire into anything and everything."
>
> Those were the words of a man who spent a great deal of his life holding ministerial power in Canada; those were words uttered in 1861 by Sir John A. Macdonald. In those days parliament was a grand inquest with the right to inquire into everything and anything, but it is not today, when we see secrecy imposed by the government, and hon. members of this house in the discharge of their solemn obligations to the constituents who elected them denied information they ought to have.

If ever any minister was convicted out of his own mouth, the minister convicts himself in respect to this bill by those words which he uttered in this house some years ago, because he denied on a pretext of secrecy the answers to questions asked by the hon. member for Welland (Mr. McMillan). He denied Mr. Bryden's letter in getting these—well, sir, I will not go into that. We have not got Mr. Bryden's letter but we now know what was contained in it and why it was denied to this house.

His leader, the Prime Minister, had the effrontery, on the very day he asked his followers to vote to suppress that information here in this house, to go on the air and say that the case of the governor of the Bank of Canada was now out in the open where it could be thoroughly discussed and assessed in the light of the facts. That is what the Prime Minister told the people of Canada on television. That statement is patently false. The Prime Minister made it false that very day in this house by denying the information to us. He has joined or indeed led his government into suppressing this information which parliament is entitled to have if it is the grand inquest the minister said it was and which it ought to be. This is the most extraordinary procedure. Of course, it is characteristic of that careless use of language found in every reference the Prime Minister made to Mr. Coyne, including describing him as a civil servant. If the Prime Minister does not know better, he ought to do so. If he does know better, he was trying to mislead the people. Hon. gentlemen can have it either way. It does not seem to me to make much difference which view you take of it, it is not very creditable to the Prime Minister of this country. Nor is it very creditable to the Prime Minister of this country who allowed, according to the Minister of Finance, this situation to persist for four years while doing nothing about it, and who apparently made not the slightest effort to compose this difference, and who then seeks to exacerbate it by going on the air and making statements that are not in accord with the facts which were established in this house on the very same day.

As hon. members know, I have had some association in the past with real prime ministers who attended to the administration of the country and did not merely conduct a constant political campaign. We have had a continuous election campaign in this country since the spring of 1957, and the Prime Minister has never had time, in the midst of this election campaign, to give any attention to the government of this country. That is one of the principal reasons this country is in the shocking mess it is in.

Some hon. Members: Oh, oh.

Mr. Pickersgill: When hon. gentlemen realized that in 1961 the public at last had twigged to the fact that they were responsible for the mess, after they had blamed the Liberals in 1958, they had blamed the Americans in 1959, and then in 1960 they had a recovery; and we know what happened to that recovery. We remember the minister's boast about a balanced budget and the unemployment going with the snow. That is a fair indication of the kind of leadership we have had from this

minister. When he found himself so hopelessly wrong in 1961 he says, "I have got to have a victim; I have got to take attention away from myself". Maybe he said it or maybe it was the Prime Minister who ordered him to do it. I suspect the latter. It is an extraordinary thing, as the Leader of the Opposition pointed out earlier today, that there seems to have been an amazing consonance of view, not dissonance, between the governor of the bank and the Minister of Finance right up to a date as late as the minister's speech in January, 1961, in Brantford and which the governor might equally well have made. This sudden conversion, this turning of Saul into Paul that happened some time in the spring,—

Mr. Fleming (Eglinton): No, no.

Mr. Pickersgill: —this great light that suddenly came upon this former pagan, this conversion to expansion, the expansion that only a few months ago he was decrying, was worrying about, as I say, was an extraordinary change indeed. But, oh, no; the governor must go and he must go quietly in order to preserve the dignity of the Bank of Canada and to conceal the facts from the people of Canada and the parliament of Canada. What instrument do they use to do it when the governor refuses to resign? Do they come here in parliament and make their case? Do they allow us to perform our functions as an opposition? Do they allow this parliament to be sovereign? No, Mr. Speaker. They say, "We have a huge and servile majority; we will put a bill through this house to take away the rights of this man without letting him be heard".

Mr. Bell (Carleton): Nonsense.

Mr. Pickersgill: That is what you are doing. It is precisely what you are doing.

Mr. Bell (Carleton): He is in the headlines every day.

Mr. Pickersgill: As a matter of fact, the hon. member for Carleton who, I believe, is a member of the bar, is now suggesting to us that if a man makes a statement in public outside the courts, he is to be denied his right to access to the courts. If that is the new doctrine of the bill of rights, it is not a doctrine that any Liberal could espouse, but it is perhaps what one would expect from the hon. gentleman opposite.

Mr. Bell (Carleton): Will the hon. member permit a question?

Mr. Pickersgill: Certainly.

Mr. Bell (Carleton): Would the hon. gentleman indicate to the house whether he has been in communication with Mr. Coyne since the first of June?

Some hon. Members: Oh, oh.

Mr. Pickersgill: I am making a speech. I realize, of course, how effective the interruption will be.

Some hon. Members: Oh, oh.

Mr. Speaker: Order.

Mr. Bell (Carleton): The hon. gentleman allowed me to ask the question; apparently he does not wish to answer it.

Mr. Speaker: If there is an answer, I would be unable to hear it.

Mr. Pickersgill: It is a very well known fact that I have known Mr. Coyne for 30 years and that he is one of my personal friends. I live in a free country and of course I have not denied myself communication with my friends, even under this Tory despotism.

Some hon. Members: Oh, oh.

Mr. Pickersgill: If hon. gentlemen maintain a gestapo so far as public servants are concerned in this country, they can boast about it in this company.

Mr. Fleming (Eglinton): The bubble is pricked now; now we know.

Mr. Benidickson: Any member of parliament can phone him. I have not done so, but I have known him equally long.

Mr. Speaker: Order.

Mr. Pickersgill: I am going to say something I had not intended to say in this house. It is also known, I think, to a few hon. members that I had a brother who was beaten to death by the nazis in a concentration camp at Buchenwald; and no one will ever make me vote for legislation to condemn a man without a hearing.

Mr. Jones: Why did you not say that when you threw Bob Pitt out of a job without a hearing? I refer to Bob Pitt of Winnipeg and Saskatoon. What hypocrisy it is to make such a statement now.

Mr. Speaker: Order. The hon. member for Saskatoon forgets that the floor is now held by the hon. member for Bonavista-Twillingate. Those who wish to speak will have an opportunity of doing so only if they allow one member to continue at a time.

Mr. Pickersgill: I said that this was a bill of attainder. I said that this was a procedure which was now unknown to our practice, and which is forbidden by the constitution of the United States, as the Leader of the Opposition pointed out this afternoon. I should like to read to you, Mr. Speaker, because it is so apt, the description of a bill of attainder found in the encyclopedia Britannica, the

1959 edition. I hope hon. members opposite will listen very carefully to the language of it. It is as follows:

> First passed in 1459, such bills were employed, more particularly during the reigns of the Tudor kings, as a species of extrajudicial procedure, for the direct punishment of political offences. Dispensing with the ordinary judicial forms and precedents, they took away from the accused whatever advantages he might have gained in the courts of law; such evidence only was admitted as might be necessary to secure conviction; indeed, in many cases bills of attainder were passed without any evidence being produced at all.

As is the case here.

> In the reign of Henry VIII they were much used, through a subservient parliament, to punish those who had incurred the king's displeasure; many distinguished victims who could not have been charged with any offence under the existing laws being by this means disposed of.

That, sir, is very simply what the government is asking us to do in this case.

Some hon. Members: Nonsense.

Mr. Fleming (Eglinton): Rot.

Mr. Pickersgill: That is the reason why the Leader of the Opposition made the amendment he did to provide an opportunity to Mr. Coyne, who needs no defence from anyone else, who is perfectly capable of defending himself if this parliament will allow him to do so. If there is enough freedom left in this house to allow him to do so, if there is enough sense of justice in this house left to allow him to do so, he will need no defence from any of us nor should he get any. He should be allowed to defend himself and to explain himself. Why? Because he is one of that very limited group of persons who, under the statutes of this parliament, apart from the judges, are appointed during good behaviour. What does that historic phrase mean? It seems that many hon. gentlemen opposite have lost the sense of it. It means the government, the executive, must not in any way seek to remove those people except by showing cause, and doing so openly in this parliament, not secretly behind closed doors. That is what it means.

What the minister did on May 30 in his office was done behind closed doors, when he asked Mr. Coyne to go quietly so that his family would not suffer and so that the dignity of his office would not suffer, and so the government would not be embarrassed.

Mr. Fleming (Eglinton): Mr. Speaker, I said nothing about the family at any time. That is a red herring that has been brought into this matter by the hon. member. Never was a word said about the family.

Mr. Pickersgill: Well, it was certainly behind closed doors; it was certainly done in secret and parliament was not intended to know anything about it except the fact that Mr. Coyne had quietly resigned and gone away, so parliament would never know what design the government had after they got rid of him.

As my hon. friend the Leader of the Opposition pointed out this morning, it is exactly equivalent to asking us to pass a bill to remove the chairman of the civil service commission because, say, the Minister of Finance does not like the colour of his eyes, to put someone else there who will give the jobs to the hon. gentleman's friends. That is exactly the same thing.

Some hon. Members: Oh, oh.

Mr. Pickersgill: Of course it is.

An hon. Member: Nonsense.

Mr. Pickersgill: The chairman of the civil service commission is appointed during good behaviour. It is fortunate that statute contains an additional provision that there must be an address of both houses. The Bank of Canada Act does not, but there is no doubt the intention was the same in both. The same is true about the president of the C.B.C. This government tried to have him appointed during pleasure and we did our best to have an amendment passed in this house to include good behaviour. Our amendment was refused.

However, hon. ladies and gentlemen in the other place, having more respect than was shown by the majority here for the rights of the people and for the non-partisan character that the broadcasting service must necessarily have, amended that legislation. This government reluctantly accepted that amendment in 1958 in order to give a measure of independence of partisan control to broadcasting.

Parliament decided that civil servants should be above partisan control, and parliament decided that the electoral system should be above partisan control, and parliament decided that the Auditor General should be above partisan control. There is no difference between this bill and bringing in a bill to remove the Auditor General and declare his office vacant without any cause given. Perhaps if that were done hon. gentlemen could appoint someone who would not look into the hospital grants, for example, and who would be more complacent with regard to some of the activities that some hon. gentlemen opposite seem to find so interesting in these times.

I say that the provision that these offices that parliament said were to be held during good behaviour, whose incumbents were to be removed only for cause, cause shown in open assembly and in open court and with the right of discussion, was made for a reason.

That was done to prevent what the Prime Minister spoke about on June 4, 1955, in the days when the Prime Minister was still interested in these things; those days seem to have vanished:

> ...there has been no suggestion on the part of the government that it intends to deviate one whit from the trend that apparently is to be followed, of establishing for ministers of the crown and this government an absolutism.

That is what they are seeking to do by this bill so far as the Bank of Canada is concerned. If they can get rid of Mr. Coyne without giving any reasons; if they can use the tyranny of a majority to clear him out, to get that block out of the way, as the Prime Minister so felicitously put it—

Mr. Bell (Carleton): When did the majority become a tyranny? Is that a new thesis in this country?

Mr. Pickersgill: I commend to the hon. gentleman the pipe line debate. He seems to have forgotten that we heard a lot about the rights of the minority from some hon. gentlemen opposite in those days. That has all been forgotten now.

Mr. Fulton: Not at all: you are still speaking, we were not allowed to speak then.

Mr. Pickersgill: They have not quite dared to expel the opposition from this house. This is a man that a previous parliament decided could only be removed by cause, whom they do not allow to say a word in his own defence in the only place where he could be cross-examined. This is just one more step in that direction.

Why did previous parliaments decide that the governor and the deputy governor of the Bank of Canada should be appointed during good behaviour and should be removable only for cause? The answer is very obvious. It was given by the Leader of the Opposition this afternoon. It is because in no free country, with a constitutional government, would a partisan executive be given the uncontrolled right to start the printing presses. The most ancient of all our rights is the right of the elected representatives of the people to decide what the taxes will be. There is no taxation that is so unfair, so insidious or so inexorable as inflation and there is no doubt whatsoever that this block that Mr. Coyne was, according to the Prime Minister, was a block to that uncontrolled right. First they got a collection of Tory hacks as members of the board of directors. They did not dare to act against Mr. Coyne—

Mr. Fleming (Eglinton): Shame on you.

Mr. Pickersgill: I am not a bit ashamed.

Mr. Fleming (Eglinton): You should be.

Mr. Pickersgill: One of them was a defeated Tory candidate and has been running around here ever since.

Mr. Bell (Carleton): That is what the hon. gentleman will be after the next election.

Mr. Pickersgill: They had to get them first, and they had to wait for four years. After waiting four years, these men yielded to the crack of the minister's whip and did what they were told to do; they passed the resolution he dictated to them—

Mr. Martin (Essex East): Improperly.

Mr. Pickersgill: —improperly—

Mr. Fleming (Eglinton): That is untrue.

Mr. Pickersgill: —that was dictated by the Minister of Finance behind the back of parliament.

Mr. Fleming (Eglinton): That is utterly untrue. That is a false statement.

Mr. Pickersgill: Of course, you will not let us go to a committee where we can find out whether or not it is true.

Mr. Benidickson: You are the accused now.

Mr. Pickersgill: Let us see these directors and ask them questions.

Mr. Martin (Essex East): Hear, hear.

Mr. Pickersgill: The only person who has any voice in this parliament is the accuser.

Mr. Pearson: Keep them out of Ottawa.

Mr. Fulton: You could telephone one of them. You telephoned Mr. Coyne.

Mr. Bell (Carleton): Telephone Jim again.

Mr. Pickersgill: What is this alleged dispute about? What is this supposed adequate reason on the minister's say-so, without any evidence, without any supporting documents, without any chance for us, the representatives of the people, the sovereign people, to examine Mr. Coyne or to examine the directors? We have to take the word of this omnipotent little minister, this omnipotent little creature of parliament who sets himself up above parliament and says, "You must do what we say". If they get away with this—

Mr. Pallett: The hon. member sounds like eviscerated poultry right now.

Mr. Pickersgill: If they get away with this in the case of Mr. Coyne, it does not matter who they appoint; it does not matter how eminent he is; the new governor is going to know they have done it once—and that, of course, is the way of dictators; you do it once and then it is a lot easier to do it the next time—and he is going to hesitate a long time before he fails to do whatever he is

ordered to do by the Minister of Finance or the successor of the Minister of Finance.

I suggest, Mr. Speaker, as I said the other evening, that the Minister of Finance himself is not going to survive this debate very long. He has made a mess of this business and the Prime Minister will not forget it.

An hon. Member: We will see.

Mr. Pickersgill: I say—

Mr. Benidickson: If he does not resign, he will be fired.

Mr. Pickersgill: I say that the fundamental reason why this matter is so important is not Mr. Coyne at all; it is the office of governor; it is the necessary independence in that office to protect the value of our money. I predict that if this government gets away with this measure; if they can appoint their stooge as governor—

Mr. Fleming (Eglinton): Shame on you.

Mr. Pickersgill: —that within six months the Canadian dollar will look like that, and in a year it will look like that.

Mr. Bell (Carleton): That is a mischievous, false statement.

Mr. Pickersgill: What these ministers are confronted with is an impossible deficit. They have not got the courage to deal with it in a proper fashion and they want some subservient person in that office to start the printing presses. That is what they want. That is the real danger to the people of this country. That is why parliament provided that the governor could only be removed for cause given in open court, and that is why it is the duty of the governor even if he has only a suspicion of the motives of the government, to do what Mr. Coyne has done.

I would like to quote in this connection some of the evidence given by Mr. Graham Towers before the committee on banking and commerce in 1954 as reported in the proceedings of the committee for that year. I think it was on March 16. This is very relevant to what we are discussing, and nothing could be more important to the people, than this question of the money supply in this country and effective parliamentary control over it. Mr. Towers said:

> The situation is that parliament has placed squarely on the shoulders of the directors and management of the Bank of Canada the responsibility for monetary policy. It would be of no use for us to come before a committee of this kind and say in respect to certain actions which were criticized, we did not like that, but the government wanted us to do it. The proper question would be: in what act has parliament said that you should do something in the field of monetary policy in which you do not believe? Therefore, we must and do take full responsibility for everything which we have done. Now, I think myself that the Bank of Canada Act is in this respect a very good act, and better than most, because it is clear. There is no alibi possible for the central bank.

This is the really important part, and it is something the minister does not seem ever to have understood:

> On the other hand, there is no alibi possible for the government, because if government said: well, we disagreed with what the central bank did, but parliament has placed the responsibility on them, so what could we do? The answer obviously is that the administration of the day, supported by a majority in parliament, can always alter the legislation.

But not decapitate the governor—alter the legislation. Mr. Towers went on to say:

> In fact, I doubt whether a disagreement would ever necessitate such a thing, because there are various ways and means by which directors and management can be got rid of.

Mr. Towers spoke, perhaps, better than he knew.

> I am sure that in the case of a serious disagreement that is what would take place. There is a long history behind this thing in central banking—and I assure you I won't take up much more of the committee's time—but in the days when kings and princes ruled the roost, they had rather a nasty habit of debasing the coinage when they got into a fix, and even later on parliamentary governments sometimes did the same thing, in the modern sense of inflation. Therefore, it is interesting to notice that in all the many countries of the world—I think it is 60 or more which have central banks—they have always been set up not as a department of government but as separate institutions. In many cases, they have been nationalized, but they have been left as separate structures with the idea that then there are certain checks in respect to the possibility of doing that insidious thing which not one person in a million understands, debasing the currency. In some cases, of course, the independence, while intended to be encouraging to the public, is a pure façade. Obviously that is so in a totalitarian state. But even in some other places in recent years there have been governments—we have had them in sister countries of the commonwealth—which felt that they could not bear the thought that even for a day someone should frustrate or delay the policy of the administration of the day. So on top of the façade which, so far as the public is concerned was supposed to convey an idea of check and balance and independence, they would write in a clause saying the policy of the central bank shall be that dictated by the Minister of Finance from time to time. Myself, I think that that is a sort of mongrel arrangement, and the central bank should be either a pure department of government and known to the public as such, or it should have independent responsibility.

I am not sure Mr. Towers would say that today. We do know that Mr. Coyne does not say that. We do know that Mr. Coyne says the Bank of Canada should be in the same position as the Bank of England; that the Minister of Finance may in writing impose the views of the government, and if he does that and the governor disagrees and they cannot reconcile their differences, then the governor should resign. That is what Mr. Coyne has said. That is right. That is proper.

But Mr. Coyne should not resign, and no governor should be expected to resign, merely because the minister does not like the colour of his hair or the amount of his pension or even some speech he has made. If Mr. Coyne had persisted in making speeches after the minister had said he should not make them that would have been another matter. The minister would have had a real cause and he could have come into the house and made his case, but he never protested at all. Instead, he came here and beat his breast and talked about freedom of speech and asked: would you deny freedom of speech to the governor of the Bank of Canada? That is what he said very recently. I could look it up if I had a little more time; it is familiar to all of us.

The plain fact of the matter is that there has not been the slightest evidence produced that the governor of the Bank of Canada by any act, as opposed, perhaps, to some words which the minister did not like, has been in conflict with the present administration. The minister may not have liked some of those words because they were embarrassing to the government inasmuch as they indicated that the government should be doing certain things which they were not doing. Apart from that, there is nothing, except for some mysterious thing in 1957. Either that incident in 1957 was important or it was not. If it was important, an issue should have been made of it then in parliament and Mr. Coyne should have been removed then. If it was not, does anybody in parliament, knowing the Minister of Finance as we all know him, think that if there was any incident more recent than that of 1957 he would have had to go back to 1957?

The plain fact is that any policy the bank has been asked to carry out, it has carried out. We know that, because we know that otherwise we would have heard a howl from the minister long ago. That is why the hon. gentleman would not answer the questions of my hon. friend from Welland. It is because he would have had to say "no" to both of those questions, and his whole case for the dismissal of the governor would have fallen completely to the ground if he had given a truthful answer to those questions. That is why the minister hid behind a pretence of secrecy.

As to this business of secrecy, it is perfectly true that in the ordinary operation there should be secrecy. The governor of the bank respected that to the letter until the minister fired him, or tried to. He then felt he had a duty to this parliament and to the people of Canada whose servant he was—not the servant of the government, not the servant of the minister, but the servant of parliament and the people of Canada. He felt it was his duty whatever happened to him to tell us that something was wrong and to give us a chance to find out. That is the issue. If there is something wrong with the governor, surely the government would be delighted to produce the evidence, delighted to give him a hearing and show he is wrong. Why is the government so scared? Why is the government so frightened?

Why do they not want this inquiry? The fact of the matter is that there is nothing substantial to inquire into. As a matter of fact they want a scapegoat for the past and—what I suspect is a great deal more serious—they want a compliant tool in the office of the governor of the Bank of Canada to deal with their deficits for the future.

Hon. D. J. Walker (Minister of Public Works): First, I wish to express the views of most of the members of this house in offering heartfelt congratulations to the Minister of Finance for the magnificent manner in which he has handled this whole Coyne affair. How he could have exercised the patience he has displayed, how he has had the wisdom that he has displayed, how he could have kept his dignity and decorum in the face of such constant insults and slights over a long period is beyond the understanding of most of the members of this house. Certainly he is a long suffering man and a man of very great mercy. If sympathy and kindness did not dominate his nature we could not have had a situation where a person who had become almost an anarchist would have been treated with such sympathy and understanding.

The hon. member for Bonavista-Twillingate is tonight in a semi-hysterical state of mind, and I do not blame him for that. He has been under great strain and stress. We did not realize it; for not only is he conducting the business of the house, taking the place in parliament of the Leader of the Opposition, but at the same time he has been the confidential adviser of the governor of the Bank of Canada.

Mr. Pickersgill: Mr. Speaker, I think I have a question of privilege here. I would simply say that that libel answers itself.

Mr. Walker: The hon. member for Bonavista-Twillingate has admitted that he has been in constant touch with the governor, Mr. Speaker. I ask him to deny it; if he has not been in touch with the governor of the Bank of Canada. I will withdraw my remarks if he has not. Has he, or has he not?

Mr. Pickersgill: I said I had been in touch with him as a friend.

Mr. Walker: Well, out of his own mouth—

Mr. Pickersgill: Perhaps the hon. gentleman would at least allow me to finish. I said I had been in touch with him as a friend of many, many years. I saw no reason, simply because of this action, to alter that friendship in any way whatsoever, nor do I think it is necessary to do so in a free country.

Mr. Walker: May I ask another question of the hon. member, since he is so willing to rise and answer these questions. These letters, reams of which I have been reading today, have a strange familiarity. I ask the hon. member for Bonavista-Twillingate this question. Did he not assist the governor of the Bank of Canada in the drafting of them, including the one of today?

Mr. Pickersgill: The answer to that question is no.

Mr. Walker: The answer is no; all right, I have to accept the hon. member's answer in that regard.

The fact is that on the admission of the hon. member for Bonavista-Twillingate we have a governor who has been aloof from political turmoil and the member for Bonavista-Twillingate has been in touch with him. I can only assume that the governor of the Bank of Canada has been accepting the advice of the hon. member for Bonavista-Twillingate.

Some hon. Members: Order. Shame.

Mr. Walker: I think it is a shame also; it is a crying shame that all these actions are not the actions of the person who we thought was a quiet, dignified banker but are the actions of the semi-hysterical member for Bonavista-Twillingate. Therefore, for the first time in this whole debate I have a certain sympathy for the governor of the bank who no doubt has been tremendously misguided.

May I ask this question. Is it not a fact that over the week end Her Majesty's loyal opposition have been in touch with the governor of the Bank of Canada—

Mr. Regier: Shame.

Mr. Walker: —in an effort to have him resign now so that they will not have to vote on second reading of this bill? Is it not a fact that as late as last night the governor of the bank refused to resign?

Mr. Regier: I never knew how low one could sink.

Mr. Walker: Just a moment; out of the mouth of babes and sucklings, and the hon. member for—

Mr. Regier: I have been here longer than the minister and I will be here longer as well.

[Mr. Pickersgill.]

Mr. Walker: The hon. member has almost reached the summit of his career here and it will soon be over. When the vote is called —and I undersand the opposition is going to keep up this interminable delay for four days —I suggest that the official opposition to a man and to a woman will vote in favour of the governor of the Bank of Canada being discharged. There is no doubt about it; I challenge them to deny it.

We have a suggestion made by the Leader of the Opposition today, the only one of which I have to take cognizance, that the governor of the Bank of Canada should have another "go" at this thing in a parliamentary committee. Here is a man who has explained his position in reams of well-written letters in the Pickersgillian style. Here is a man who has called press conferences at midnight, at any other hour of the day or night, either in Quebec or Ottawa, under some expert political coaching. He has given fabulous interviews. Here is a man who, as time creeps inevitably onward to bring to an end his meteoric career, kicks out in all directions. Here is a man who has appeared before a Senate committee to be cross-examined by members of the other place who have no interest in being re-elected, to be cross-examined by members of the political faith of the hon. member for Bonavista-Twillingate. After cross-examining him on all the speeches he has made up and down the country for a couple of years, what did they discover? They found out that he has no solution, no panacea, no facts, nothing to settle the problems which he himself has brought on. And yet, after that Senate committee hearing, it is now suggested by the Leader of the Opposition that this man, who is acting more like an anarchist than a governor of a bank, should be called before a committee of the House of Commons. Would I not like to have the opportunity of acting as counsel in that committee, of cross-examining him.

But why exacerbate the self-inflicted wounds of that poor man? I feel sorry for him for the first time because I know he has been misguided. But to bring him before a parliamentary committee at this time would be to create greater shame and greater degradation than have already taken place. And to what avail? What is there that can be brought out that was not brought out in the Senate committee? What is there that can be brought out now that we have the confidential letters which were put in the hands of the press before they reached parliament? What is there that can be said in this whole shameful story that has not been said already over and over again?

I think it is to the eternal credit of the Minister of Finance, who could have really

seen himself vindicated in a superlative degree by having this man appear before a parliamentary committee, that he has not seen fit to agree that this be done. Under all the circumstances it is a great pity that a man who held the rank of the governor of the Bank of Canada, whom we liked as a person and as a personality, should have been so badly advised by the hon. member for Bonavista-Twillingate and others that he has set himself up on Mount Olympus superior to the government of Canada, and because this government represents an overwhelming majority of the people of Canada, in conflict with the people of Canada themselves.

I am not going to say very much about the increase in the pension from $12,000 to $25,000. Whether the increase was negotiated with the advice of the hon. member for Bonavista-Twillingate, I do not know. But I can say this. From the time the governor of the Bank of Canada believed that even though he retired at the end of his term in December of this year he could feel secure with a pension of $25,000 a year with the hope of living another 30 years at a cost to the taxpayers of this country of three quarters of a million dollars, it is a fact, whether or not he was advised by the hon. member for Bonavista-Twillingate in this connection, that from the time he got that increased pension he became bolder and bolder and bolder. He took issue from the Atlantic to the Pacific with whatever the government of Canada was doing, whether it was in the domain of banking or whether it was not. He invited, he urged that he should be fired. He urged that a year ago by his statements, and if I had been the minister of finance—and it is a good thing I was not—he would have been fired long ago and not on such terms as have happened under all the circumstances.

Some hon. Members: Oh, oh.

Mr. Walker: I say to the hon. member for Bonavista-Twillingate, whom I like personally but who is overwrought, distracted and somewhat hysterical, that when he comes back to his normal thinking ways after the summer holidays he will be very much ashamed of the scene he made in the house tonight. He will be terribly ashamed. The hon. member for Essex East (Mr. Martin) at least had a reasoned speech but the hon. member for Bonavista-Twillingate has just dealt in emotional pleas and in almost personal, bitter and degrading attacks on the Minister of Finance. I say to you, why do you keep saying that this is a little man? Why do you say that one of the greatest of Canada's finance ministers is little?

Some hon. Members: Oh, oh.

Mr. Walker: I have heard this said over and over again and I think they must be referring to his physical size.

Mr. Speaker: Order. May I call the minister's attention to the fact that it is customary to address the Chair.

Mr. Walker: That is quite so. Thank you, Mr. Speaker, and I think we should continue to do that. Let us have an end of this whole thing. Let us get over this unfortunate incident which we all regret, which has now reached the realm of personalities and, believe me, I am not immune to that sort of thing. I admit that, but let us be done with it all. Let us bring down the curtain on this sad and unfortunate incident.

Mr. Pickersgill: You would certainly like to.

Mr. Walker: The only explanation I can give is that this man, who has descended from the heights of Olympus to get into a political brawl and has conducted himself not like the gentleman I always thought he was, has now almost reached the stage of being an anarchist in his latest letter. I say, let us pity him. No doubt his nerves are also taut but under all the circumstances his advice has been abominable and for that advice we can only blame hon. members of the opposition led by the person who would be the leader of the opposition, the hon. member for Bonavista-Twillingate.

(Translation):

Mr. Yvon Dupuis (St. Jean-Iberville-Napierville): Mr. Speaker, my first words tonight will be to commend the Leader of the Opposition (Mr. Pearson) for his masterful statement to the house this afternoon, on what will be labelled in the future "the exciting Coyne affair".

Mr. Speaker, the Leader of the Opposition proved himself a consistent, bold and particularly honest man. He was the first in this house to differ with the present governor of the Bank of Canada. The Leader of the Opposition is the one who for years had been asking the present Minister of Finance (Mr. Fleming) whether he shared the views of Mr. Coyne, and in every case the minister endorsed the views of the governor of the Bank of Canada. It was only after four years that things took a new turn.

I say that the Leader of the Opposition has been bold and honest, because while he has been dissenting with the views of the governor of the Bank of Canada for the past four years, he nevertheless rose in his place today to

ask the house to give this official a fair hearing before Canadian public opinion.

Mr. Speaker, I and all those who are in the galleries and in the house have just heard the man who is called the Minister of Public Works (Mr. Walker). At the outset of his remarks, he took great care to tell the house that it was very hard to maintain one's dignity in the house in the face of the insults and abuse of the opposition.

Well, Mr. Speaker, after hearing the rest of the minister's speech, it is obvious that if there has been abuse, if there has been nonsense, it came from the mouth of the Minister of Public Works, who having warned the house that he would take no abuse, added in the same breath that the hon. member for Bonavista-Twillingate (Mr. Pickersgill) was hysterical.

Mr. Speaker, we have heard—

Mr. Walker: Mr. Speaker, could the hon. member speak more slowly because it is impossible to follow him?

Mr. Dupuis: Mr. Speaker, there is simultaneous translation; the minister should use it and listen, because I have many other things to tell him.

Mr. Speaker, I have no intention of following in the footsteps of the Minister of Public Works, but I want to tell him very slowly, so that he will understand, that his plea was very insignificant tonight. Because, Mr. Speaker, when somebody rises in the House of Commons to speak about an issue of the greatest significance to all citizens in this country, it should be done in a more serious vein than the minister's attempts if one wants to discuss the matter fairly.

We, on this side of the house, in no way shared the ideas of the governor of the Bank of Canada, but we can say with some pride that, under Liberal rule, no man in Canada was ever deprived of the right to defend himself especially when he was accused publicly.

Mr. Speaker, I am proud tonight to belong to the opposition team and to sit, on the Liberal side, behind such a sincere great and worthy man as the Hon. Lester B. Pearson.

Mr. Speaker, the Minister of Public Works spoke for 15 minutes. Did he refute any one of the arguments brought forward with such consistency by the Leader of the Opposition? Not at all. Did he refute a single, serious, valid and well considered point made this afternoon by the hon. member for Essex East (Mr. Martin)? Not in the least. For 15 or 20 minutes, the Minister of Public Works just tried to attack, to insult and abuse the hon. member for Bonavista-Twillingate. Well, Mr. Speaker, I shall say this: this evening I propose, as all members of the opposition, to speak on the Coyne-Fleming issue in an objective way. I intend to prove—and it is easy to do so—that this Conservative government, which felt so great, and so extraordinarily consistent and just when introducing the bill of rights in parliament, did not wait very long to violate the legislation, which it had so much boasted of having produced.

Mr. Speaker, I shall ask my friends some questions, for instance how it could happen that, in so little time, the government's attitude changed so much, as its members are always boasting to be the great defenders of the rights of parliament and of the people. Let us look into their attitude and see how they reacted to the bill of rights.

Mr. Speaker, we maintain that the governor of the Bank of Canada is being denied the right to appear before a parliamentary committee in order to justify his position, a right that any free citizen is entitled to expect. We say that by violating this principle, the Conservative government openly disregards the bill of rights.

Allow me, Mr. Speaker to read from the record a few statements made by the hon. members opposite on July 5, 1960. A year ago, on July 5, the Minister of Public Works said this when the bill of rights was under discussion:

> One of the purposes of this bill has been to ensure that fundamental freedoms and human rights cannot be secretly or clandestinely done away with.

And the Minister of Public Works went on to say:

> It does not make any difference what stupid government might in another 20 years follow this government. No matter what it does there will always be the bill of rights to ensure that even though an act may have been passed clandestinely or surreptitiously, or people may have missed the meaning of it, there is nevertheless superimposed upon that particular piece of legislation the protective terms of the bill of rights.

Well, Mr. Speaker, I say to the minister that we did not have to wait 20 years to have the kind of stupid government which would deprive someone of his rights. We have it in office, that stupid government which violates human rights.

It would be interesting to know how many copies of the statements made this afternoon

by the Minister of Finance, the Minister of Public Works will send to his constituents. If I say that, it is because on July 5, 1960, the Minister of Public Works stated:

> As far as I am concerned, I am going to frame a copy of the bill of rights for every school in my riding, and I am going to distribute 40,000 copies to my constituents.

Mr. Speaker, I would suggest to the Minister of Public Works that when he distributes those framed copies of the bill of rights, he should write at the bottom of each copy: Here lie the rights of the governor of the Bank of Canada which we violated in the Canadian parliament, under a Conservative regime, in 1961, barely one year after we adopted the bill of rights.

This afternoon, we asked the government why they refused to let a parliamentary committee examine and cross-examine the governor of the Bank of Canada, on the one hand, and the Minister of Finance, on the other.

Every citizen is entitled to a defence. Every citizen has the right to make himself heard, the right to a fair trial in democracy. Well, Mr. Speaker, the governor of the Bank of Canada is now being refused the right to come and state his views before a committee of the house and to tell his side of the case.

The Minister of Finance stated that there cannot be two authorities. It is correct. The opposition admits as much. There is no place for two generals in an army. There is place for only one. But if a private shoots his general in the back or commits an error, he is not immediately convicted; he is not shot on the spot. Even a private is given the right to be tried by court-martial before judgment is passed.

Mr. Speaker, the same right is given the ordinary worker in this country as in all democratic countries. Plumbers, since the minister likes plumbers, are entitled to a hearing before a grievances committee when they are accused or when they are injustly treated. Lawyers are entitled to have their claims heard and to put their case before the bar association whenever an attack is launched against them or they are charged with some offence or mistake.

Indeed, Mr. Speaker, when an accusation is made against a person before a board of inquiry, whether it be a senator or somebody else, that person is allowed a hearing before the board, and is not charged unjustly without benefit of trial.

Well, Mr. Speaker, I say tonight that the people of Canada are disgusted with the outrageous attitude, the inconsistent attitude of the Minister of Finance.

Mr. Speaker, we had to wait until the 24th parliament to see such a breach of our liberties and it had to be just a year after that the bill of rights was adopted.

I say, Mr. Speaker, that we have never seen here in Ottawa a government show such an utter contempt for the rights of a citizen, particularly when that citizen is the governor of the Bank of Canada.

Hon. members opposite claim that we are coming to the defence of the governor of the Bank of Canada. Not at all. We are coming to the defence of civil rights, to the defence of a man who has been indicted and has been denied the privilege of coming before a committee of the House of Commons to give evidence.

There is certainly someone who is not telling the truth. The statements of the Minister of Finance and those of the governor of the Bank of Canada are at odds. In letters read this afternoon by the hon. member for Essex East (Mr. Martin) charges are made against the Minister of Finance by the governor of the Bank of Canada.

Now, Mr. Speaker, if the Minister of Finance does not want to give evidence before a committee of the House of Commons, he should at least let us use the lie detector on him; we would then know who is telling the truth.

Mr. Speaker, we on this side have no intention of extending this debate.

Mr. Deputy Speaker: Order. I wish to apologize for interrupting the hon. member.

(Text):

Mr. Brunsden: Mr. Speaker, on a point of order.

Mr. Deputy Speaker: Order.

Mr. Brunsden: Mr. Speaker, on a point of order. A few moments ago I asked one of the page boys to bring my mail to me. I have here a letter dated June 26—

Some hon. Members: Order.

Mr. Brunsden: —addressed to the Minister of Finance—

Some hon. Members: Order.

Mr. Deputy Speaker: Order. I think I should have the opportunity of hearing what the point of order is.

An hon. Member: He wants to read his mail in the house.

Mr. Deputy Speaker: I should like to indicate that I cannot rule on the point of order because I have not heard it as yet.

Mr. Brunsden: Mr. Speaker, the point of order is simply that the hon. member is accusing the government of not hearing Mr. Coyne, but Mr. Coyne is making himself heard by—

Some hon. Members: Order.

Mr. Deputy Speaker: Order. I suggest that is an argument, not a point of order.

(Translation):

Mr. Dupuis: Mr. Speaker, I do not propose to make a long speech, but I regret to see my hon. friend suffering so much when we talk of giving justice to the governor of the Bank of Canada.

That injustice is glaring and I have no intention of repeating all the arguments so properly made this afternoon by the hon. Leader of the Opposition. Mr. Speaker, I should like, however, like all members of this house and all citizens of Canada, to hear the Minister of Justice (Mr. Fulton) give us his opinion, his views about this bill we are called upon to adopt, a bill of merely two and a quarter lines:

The office of governor of the Bank of Canada shall be deemed to have become vacant immediately upon the coming into force of this act.

For four years, the Minister of Finance has told us that the governor shared his views. For four years, while we were putting questions to him, the Minister of Finance said he agreed with the governor of the Bank of Canada. For four years, while the governor of the Bank of Canada was making speeches all across the country, we were asking the Minister of Finance whether he authorized the governor of the Bank of Canada to make statements all over the country, and the minister used to answer: "But who would dare refrain the governor of the Bank of Canada from exercising his democratic right to express his views?"

Well, Mr. Speaker, after four years, that is on May 30 last, the Minister of Finance, clear out of the blue, publicly states that the governor of the Bank of Canada, with whom he was in such harmony and whose views he shared, should tender his resignation.

Mr. Speaker, this Bill C-114 reminds me of the arbitrary and dictatorial legislation that was enacted during 15 years in the Quebec legislature under the Duplessis administration. It is exactly like the legislation in effect

at that time, when laws unfair to some individuals were enacted without giving the latter a chance to defend themselves.

Mr. Speaker, all of us would like to hear the Minister of Justice express his opinion on the constitutional merits of Bill C-114 with regard to the Canadian Bill of Rights.

If the Conservatives want to make political capital out of the Coyne-Fleming affair, they will find out that it will not be to their advantage, because no Canadian would admit that the government deny to a man as competent as the governor of the Bank of Canada the right to explain his views before a parliamentary committee.

Mr. Speaker, I should like to end my remarks by saying that if the Minister of Finance refuses to answer the specific accusations which were levelled against him, it is because they are true. If he is afraid of appearing before a parliamentary committee, it is because he fears that the truth will come out.

Mr. Speaker, I notice that the Secretary of State (Mr. Dorion) is in his seat. Why does he not take the floor to defend human rights as he did on July 5, 1960, when he quoted Pius XII, as saying that the purpose of the bill of rights was to—

—calm the agitation and bitterness of all those who feel threatened or injured in their existence or deprived of the free exercise of their activity.

Mr. Speaker, I say that the governor of the Bank of Canada feels threatened and injured in his existence and in the free exercise of his activity, and that the attitude of this government is contrary to the bill of rights, the doctrine of Pius XII and also to the opinion expressed by the Secretary of State and all those who, last year, made long-winded speeches on freedom and spoke for hours and hours on the deep convictions of the Prime Minister (Mr. Diefenbaker) with regard to parliamentary rights.

Let us talk about parliamentary rights. We in the opposition merely ask the government to call a meeting of the committee on banking and commerce to give the governor a hearing. However, the opposition is refused the right to discharge its responsibility.

Mr. Speaker, we heard the parliamentary secretary to the Minister of National Defence (Mr. Chambers) tell us of the regulations of the Bank of Canada and say that no one has the right to divulge letters or other documents dealing with the business of the bank. His remarks have convinced me that the

Minister of Finance, for his part has no right to lay unsubstantiated charges against the governor of the Bank of Canada, particularly if he lacks the courage to set up a committee so that the house may investigate the matter.

Mr. Speaker, would you like me to quote another gem?

We heard the member for St. Lawrence-St. George say he was glad to point out to the house that the regulations of the Bank of Canada were binding on the governor as well as on anyone else. Let me quote from a statement made by the hon. member on July 5, 1960:

> The world today is divided between those who believe that the only things of importance to mankind are the material things and those who believe that the spirit of man and his dignity as an individual are of first importance. It is time that the people of this country through their parliament should declare before the world to which of these camps they belong.

Well, Mr. Speaker, I say that we, from the Liberal party, belong to the second group, comprising those who respect the spirit of man and his dignity, while the Conservatives are part of the first group, that is the group of those who busy themselves with material things, trying to save a minister who has just brought down his fifth deficit and is attempting to mislead the electors. They feel that their position is threatened, that they have deceived the people to whom they had made so many promises.

Mr. Speaker, I conclude with the following:

If we really want to revive parliamentary freedom and democratic freedom in our country, we must vote against Bill C-114, and I am addressing myself here to all the government members who profess a high regard for human rights, asking them to indicate by their vote that they disapprove the attitude of the Minister of Finance and that they wish to allow the governor of the Bank of Canada, as a free citizen in a free democracy, to come and state his views, instead of seeing, as we do now, the Minister of Finance make statements and launch specific accusations and finally submit a bill as insignificant as this one, which has only two lines and one tenth and reads as follows:

> The office of governor of the Bank of Canada shall be deemed to have become vacant immediately upon the coming into force of this act.

Mr. Speaker, if the bill is passed, there will be only one alternative, that the Canadian people avenge Mr. Coyne, because he was unfairly treated. At the next general election, the Canadian people must say this: The post of Minister of Finance has now become vacant because the Minister of Finance is no more a member of parliament and the Liberals are back in power to restore freedom in this country and see to it that the bill of rights which a Conservative government enacted and violated is observed by a Liberal government.

(Text):

Mr. Eldon M. Woolliams (Bow River): Mr. Speaker, I am indeed happy to take part in this debate tonight. I think it is fitting that I do so, as part of the constituency which I have the honour to represent used to be part of the constituency of the late R. B. Bennett, the man who led the government which brought in the Bank of Canada Act which for the first time made the question of monetary policy or monetary affairs independent of the government. As part of the constituency of Bow River used to be represented by the late R. B. Bennett, a former prime minister, I thought it was most fitting that I should take part in this debate.

I am also happy at having the opportunity to participate in this discussion in order to answer some of the arguments that have been presented by my good friends in the Liberal party. I was rather amazed that the hon. gentleman who represents the constituency of Bonavista-Twillingate, with his experience and his scholastic achievement, out of the 30 minutes, would spend the time he took in his argument not on the bill itself but his usual old song—I know it almost as well as "Down by the Old Mill Stream"—smearing the name of the present Prime Minister (Mr. Diefenbaker). If that is the only goods the hon. member for Bonavista-Twillingate has to offer I am sure that, when parliament is dissolved and the government goes to the people, the people will have an answer for this kind of mud slinging. It seems to me, as a backbencher, that it is about time this debate got on the rails. There seems to be three main issues in relation to this short bill; first, should Coyne go; second, is there enough evidence for this court, the highest court in the land, to substantiate the type of vote in reference to the question before this court; third, is this a court at all?

Let me take these three issues and deal with them. First of all, as to the question, should Mr. Coyne go, may I say this. I say without any reservation whatsoever that this is the highest court in the land. I think that is one thing the Liberals have forgotten. They have been talking about people being taken before the court without the right to give evidence. If there is any court in the land

which believes in democracy at all, it is this, the highest court. I have had the honour and the opportunity, as a young Canadian, to appear in every court in the country including magistrate's court; district court; the supreme court, trial division; the court of appeal of the province and the Supreme Court of Canada. But the highest court in which I have ever appeared is the court in which I speak tonight. I think that is the main thing that is overlooked.

I should like to call as my first witness before this court a statement of the Leader of the Opposition who spoke in this house on February 20, 1961. What kind of evidence did he put before the court? This is what he said. Surely if you analyse what he said we need go no further because I do not think there is any hon. member in this house tonight who does not feel there is a difference between the governor of the Bank of Canada and the government. That seems to be fairly obvious, because there is a volume of evidence coming from the governor and we have heard the statement of the Minister of Finance and other members of the government. So there seems to be a big difference.

If there is a difference, is that substantial evidence to bring in; is that the kind of evidence we need for considering the kind of bill that is before the highest court of Canada? This is what the Leader of the Opposition said, and he is the leader of the Liberal party, the spokesman for that party:

> If the governor cannot agree with the general policy which the government desires him to implement, then the governor has no alternative, of course, but to resign.

Let me repeat that. This is what he said on February 20, 1961:

> If the governor cannot agree with the general policy which the government desires him to implement, then the governor has no alternative, of course, but to resign.

There is no question tonight but that there is certainly a difference between the governor and the government and I am going to show that in evidence which I will produce in my speech.

Mr. McIlraith: Mr. Speaker, would the hon. member permit a question?

Mr. Woolliams: I should like to finish my speech first and then I will answer any questions hon. gentlemen have.

Mr. McIlraith: Read the next sentence.

Mr. Woolliams: I will read the whole paragraph and I would ask the hon. member to listen and bear with me. I will read the whole quotation because I do not intend to leave out half of it, which is the policy and practice of some hon. members of the opposition. I wish to read this again:

> If the governor cannot agree with the general policy which the government desires him to implement, then the governor has no alternative, of course, but to resign.

My good friend wanted me to read on:

> If the governor carries out the general policy in the monetary field without any indication of government disapproval, and as the government is responsible ultimately for monetary policy, I think the governor has a right, as we have, to assume that the government of the day is not opposed to the policy he has put forward.

There are two propositions. No. 1 is—and I repeat it—there is no question that there is a difference between the governor of the Bank of Canada and the government on policy. The Leader of the Opposition has said, if that exists, he should resign. Here we have a man who says, "I will not resign", so his trial takes place tonight, and probably tomorrow, in the highest court of the land, which is parliament. If we had gone along with and endorsed the policies of Coyne, the Leader of the Opposition said, it would be assumed that we were approving everything Coyne said and did.

I am going to show that there are two kinds of budget. There is the budget of the government and there is the Coyne budget, one that rolls along on its end. Surely this is the issue the Minister of Finance put forward; it is the government serving the people's interest and serving the people with responsibility plus the fact that those responsible for the Bank of Canada, exercising their responsibility, said that Coyne should go.

What is the evidence as far as Mr. Coyne is concerned? Mr. Coyne has certain functions. Those functions, as governor of the Bank of Canada, are in reference to the monetary affairs of the country. Does he stay within the realm and the jurisdiction of those functions? I suggest he does not. I suggest, Mr. Speaker, that there has been the situation mentioned in one of the statements of Disraeli. Disraeli said:

> He who controls the exchequer controls the world.

It seems to me I could rest my case immediately on this fact, that Mr. Coyne deliberately set out knowing that if he controlled the monetary policy of this country without any interference, and the fiscal policy of this country without any interference, he would become the dictator of this country and we members of parliament and members of the government would be merely children in a playpen dancing to the tune of Mr. Coyne, the governor of the Bank of Canada.

I am quite certain that this is as far as he wanted to go. He wanted to be the dictator in every regard as far as this country was

concerned. What is the evidence before parliament, the highest court in the land, in reference to Mr. Coyne? On June 19 this year, just at budget time, Mr. Coyne put out a new budget. Is this a budget that would be palatable to the Canadian people and palatable to the Canadian economy? Is this the kind of budget the government would endorse? If it is not, then there is a difference between the policies of the governor of the Bank of Canada on the one hand and those of the government on the other. If that difference exists, the Leader of the Opposition says Mr. Coyne should resign. If he does not resign, I repeat that this is the court in which this matter is properly raised and in which such a bill should be introduced so that he will vacate his position if parliament votes to that effect.

Let us look at Mr. Coyne's budget and see how it differs from the expansive budget that was brought forward this month by the present government. I am referring to an article in the Calgary *Herald*. Mr. Coyne gave several press conferences. This is what he said, and this is No. 1, the first thing he would do:

A temporary tariff surcharge of 10 per cent on most imports to reduce import buying and stimulate Canadian production;—

In other words, he believes that we should have an immediate 10 per cent tariff on goods coming in from the United States and other countries. What would this mean? What would it mean to the producers of this country? What would it mean to the farmers in this country? What would it mean in terms of those things we buy?What would it mean to industry? What would it mean to the employees who work in industry in this country? It would mean that the cost to the consumer would go up; the cost of production would go up and this country would be placed, I submit, in a recession. Then he says:

Augment incomes of unemployed by a 25 per cent boost in unemployment insurance benefits until the unemployment rate falls below 4 per cent—

I think everyone is sympathetic with the unemployed and everyone appreciates that when they are truly unemployed the unemployment insurance benefits they receive are probably not quite adequate. But Mr. Coyne does not say who is going to pay this 25 per cent increase. Is that going to be an extra charge on the employer, or will it mean less take home pay for the employee? There, too, are some of the ingredients that might increase the cost of production. Then Mr. Coyne says:

A three year temporary increase in personal and corporation income tax—

Surely that would mean less take home pay for the employee. That would leave management and corporations with less capital with which to expand their business in order to bring about full employment in this country. Then Mr. Coyne advocates:

Higher taxes on luxuries including liquor and tobacco.

This would mean higher costs to the consumers and employees of this country because many of them use tobacco and alcohol. Then Mr. Coyne says:

Repeal the tariff-free treatment now given on imported automobile parts up to 40 per cent of the value of Canadian-made cars,—

This would mean the price of all automobile parts coming in from the United States would be increased by that percentage. This would increase the cost to the consumer and the cost of production to those people who use automobiles in their industries. Then he says:

Levy sales tax on foreign goods brought back by Canadian tourists and remove for two years the tariff exemption now allowed on such goods.

I have said that the tourist trade is most important to this country, bringing with it needed money from other countries. Compare that budget, which in brief recommends an increase in taxes for everybody in Canada and advocates a high protectionist policy, with the expansionist policy of the government. Then I ask this question. Is there a difference between the policy advocated by the governor of the Bank of Canada and that advocated by the Minister of Finance and the government? I am confident, as I stand in my place tonight, that if ever there was an occasion in this parliament—we have heard a great deal about the large Conservative majority in this house —when the backbenchers of the Conservative party were 100 per cent behind the Minister of Finance and the government that occasion is now here. We support the decision that Coyne must go, and go now by an act of parliament.

Mr. Howard: You do what you are told.

Mr. Woolliams: Well, that is a matter of opinion. I have not seen that small group in the corner divide up their votes. All I can say about you is that you want to amalgamate with the Liberals to save your skins and the Liberals want to amalgamate with you to save their skins and time will tell where you sit. Probably your corner will get smaller and smaller until you evaporate out of this chamber altogether.

Mr. Benidickson: The price of bread has already begun to rise.

Mr. Woolliams: I will deal with that later. I thought the hon. member said bread prices

had started to rise. I remember Jimmy Gardiner saying the farmers of this country had to take less to put bread on the table so the people of this country could eat it. The farmers have not forgotten that, and that is why you have not got a farm representative in this House of Commons.

Before I digress in answer to these questions I want to refer for a few moments to an article in the United States News and World Report. The issue is dated July 3, 1960—it is a little ahead of its time. I want to refer to an article written by an American describing the way the Americans see the policy of the government at the present time. This is what they say about it:

> Recently a change began. Canada's dollar began to fall in value in relation to the American dollar. On June 21, the blow fell. The dollar of Canada that had been worth $1.05 a year earlier fell to 97 cents. There were predictions that days ahead might see it drop as low as 90 cents.
>
> The meaning? Canada had decided to force down the value of its money as one means of beating a severe recession.
>
> Americans going to Canada today can get a premium for their dollar. The tourist who buys woollens or chinaware, or other Canadian goods, finds that the $10 bill that he offers will bring $10.30, not the $9.50 that it brought a year ago. If some forecasts are right, before long the U.S. $10 bill will buy $11 in Canadian goods or services.

This is the important part. This is where the expansionist policy of the Conservative government differs from the Coyne budget which was not delivered in this house but which was delivered to the press.

> All Canada's producers of raw materials—aluminum, uranium, nickel, iron, oil—can expect to benefit from the lower value of the Canadian dollar, just as the paper producers see a gain.
>
> Wheat farmers also stand to benefit. The export price of wheat, controlled by the government, was increased to compensate for the drop in the Canadian dollar. Foreign buyers of wheat, however, will pay no more because of the lower value of Canadian currency.

Even if we do not export more goods we will see more purchasing power in the pockets of the producers. Compare that type of budget with the Coyne budget and see how palatable our budget is to the Canadian people as compared with Coyne's. Then, to come back to my original argument, it is obvious that there is a difference between the policy of the Bank of Canada and the policy of the government. This being the highest court of the land, we are here to judge and weigh that evidence and vote as we see fit. I am confident when the vote is called the government will certainly get the support of every backbencher.

It may seem a small matter to mention but it does seem that here is a man, the governor of the Bank of Canada, preaching austerity, asking Canadians in all walks of life to tighten their belts. That is the kind of austerity he wants. And at the same time, while he was going from coast to coast, as the member for St. Lawrence-St. George (Mr. Chambers) said, peddling austerity, he called in the group of directors to increase his own income when he retired, or got fired, from $12,000 to $25,000. In other words, he said to the Canadian people: you tighten your belts, and if my austerity program lowers the prices of the goods that I may buy I shall have more money in my pocket so I can buy them. I ask these simple questions: what does the farmer think of the governor's budget? What does the coal miner think of it? What does the contractor think of it? What does the average worker think of it? What does industry think? I am confident that industry would reject higher taxes. I am confident that the western farmer would reject high tariffs.

I listened today to the hon. member for Essex East (Mr. Martin) saying this was a matter of politics. May I suggest that the politics are being played the other way. The only criticism of the federal government which I would make is that they have been too tolerant, too lenient, too statesmanlike with the eggheads who use their knowledge and research not to serve the country but to endeavour to perpetuate Liberal rule during a period of smashing Liberal defeat. I think we have been too tolerant in this respect because, surely, some of these eggheads have been using their knowledge and research since they were placed in their present position by the former administration to perpetuate Liberal rule even in defeat, and Coyne may be no exception.

What do the newspapers have to say? Let us go back for a few moments. I think that the erosion of the idea governing the Bank of Canada started with Mr. Harris. We all remember that in 1956 and 1957 there was a real recession in this country and real unemployment—

Some hon. Members: Oh, oh.

Mr. Woolliams: I do not know what it was like in your province, but all building in Calgary had been brought to a standstill by the tight money policy under Liberal rule. Now was this Coyne policy or was it the Liberal policy? At any rate, Harris endorsed it. He was made the victim, and Coyne carried on. Let us go back and read some of the statements that were made. I wish to quote from the *Financial Post*. These statements were made by various ministers of finance of our time. The first is by Charles Dunning, a Liberal, who held office from 1935 to 1939. I do not think the present Minister of Finance would quarrel with this statement, but if hon. members will bear with me they will see how

these statements change, and how they changed the mind of Coyne until he thought he was the economic dictator of this country. Dunning said between 1935 and 1939:

> A long continuance of a policy that conflicts with the government view becomes impossible.

Surely Coyne's policy is impossible to endorse in the face of the present budget. So, Coyne must go. What did Mr. Ilsley say? He held office from 1940 to 1946, and he said in 1941:

> The monetary policy which the bank carries out from time to time must be the government's monetary policy.

Surely, that speaks for itself. What did Mr. Abbott say? Mr. Abbott said, during the time he held office from 1946 to 1954:

> The ultimate responsibility must fall upon the government.

By the way, that statement was quoted with approval by the present Leader of the Opposition.

Then we had a change, and this change is revealed in a statement made by Mr. Walter Harris who was finance minister from 1954 to 1957:

> This action is the action of the governor of the bank and his responsibility alone.

When Harris made that statement, as set out in the *Financial Post,* may I suggest that that statement was understood only by the present governor of the Bank of Canada, because this action is the action of the governor of the bank and his responsibility alone. It was then that we got the tight money policy in Canada. I think that was one of the main issues in the past elections. I have heard many people talk about various issues, but one of the main issues was the tight money policy of the former government.

I shall say this in conclusion: I repeat, I do not know a time when there has been more unity in the party on any matter which has been brought into this house since I was elected in 1958. The backbenchers are behind the Minister of Finance. They have confidence in him. They know that if he is going to implement the kind of policy set out in the budget brought down by the government in June it can only be implemented if Coyne goes. I believe that the debate the Liberals are now carrying on—I do not know much about eastern Canada, but I know western Canada—is going to put them in this position. If they had any votes left before the debate started this morning they will have few left tomorrow morning if they keep on supporting Coyne and his tight money policy.

Mr. Cardin: I wonder whether the hon. member for Bow River would permit a question?

Mr. Woolliams: Certainly.

Mr. Cardin: In his speech, which I think missed the main point of debate, the hon. member stated that he had the privilege of appearing in all the courts of the land, including the highest court, which is of course this parliament. Can the hon. member tell the house whether he has ever pleaded in any court of the land where the accused was not present and indeed was not allowed to appear in his own defence, as is the case in this instance?

Mr. Woolliams: Mr. Speaker, my answer to that is exactly what I quoted from the Leader of the Opposition. Where there is a difference the governor must go. There is plenty of evidence, in fact there is reams of mail and that mail, those statements, in a criminal court, if they are used, can become evidence under certain circumstances. There is no rule governing that here. We have the evidence. All we need say to the Liberals is there is a difference, a difference between the policy of the governor of the Bank of Canada and the government. If anyone in the Liberal ranks can stand up now and say there is not a difference I wish to see that person stand in his place.

Mr. M. W. Martin (Timmins): Mr. Speaker, if there was any doubt in our minds about the importance of this debate I think it has been dispelled by the fact that the government in its desperation to bull this thing through at any cost has called on its two best known hatchet men within the ranks. I am referring, of course, to the Minister of Public Works and the hon. member for Bow River. Both of these gentlemen have built up quite a reputation in the courts of this country as being outstanding lawyers. But I must say, Mr. Speaker, that if their performance across the country is as weak as it was tonight I wonder where they built up the reputation.

First of all, we had the Minister of Public Works who assumed that Mr. Coyne has been operating solely on the advice of the hon. member for Bonavista-Twillingate. Well, I would say this is completely in keeping with the whole government case, because it is an assumption from first to last.

The hon. member for Bonavista-Twillingate listed some of the alibis that this government has used in the four years that it has been in office. Of course, he did not realize that his list would be out of date almost by the time he completed it. In 1958, the situation was all the fault of the Liberals. In 1959 it was the Americans; and in 1960 prosperity was around the corner. In 1961 it is Coyne and

now, according to the Minister of Public Works, they even blame the Coyne affair on Pickersgill.

As far as the hon. member for Bow River is concerned, he first of all proceeded to establish the fact that this is the highest court in the land. There can be no question that he believes it is the highest court in the land. He referred to it many times. Then before this highest court whom or what did he call? He called a statement, a statement of the Leader of the Opposition. Well, unfortunately, as was pointed out by the hon. member for Richelieu-Vercheres this highest court in the land must operate on a statement and under no condition can we have witnesses appear before it. I also should like to know what other court in the land operates on this principle?

I personally would prefer to endorse the analysis of this problem as expounded by the Leader of the Opposition. I believe he put his finger right on the problem, which is, can any man in this country, let alone a key public servant, be condemned without a proper hearing?

Much to the surprise, and obviously much to the chagrin of the present government and in particular the Minister of Finance, Coyne did not do as he was supposed to do. He did not fold his tent and steal away in the middle of the night like an Arab. He was a man with enough courage to fight back.

One noticeable thing about the statements issued by Mr. Coyne is that they have been consistent throughout. He has never changed his story; it is the same today as it was when this case first broke.

I recall that the parliamentary secretary to the Minister of National Defence said he was quite surprised at the tactics, the timing and so on of the statements that we read in our newspapers. It should be no surprise to the parliamentary secretary or to any other hon. member because Mr. Coyne was a very high officer working for a government which has governed by headlines in the last four years and he should be quite adept at headlines by this time.

There is one thing that we should emphasize, and it should be emphasized throughout this debate, namely that the governor of the Bank of Canada is almost within six months, I believe, of completing his seven years which is the full term of his appointment. Four of those seven years have been served under this present government.

In contrast with the consistency of the arguments put forward by the governor of the Bank of Canada there has been complete and utter confusion on the part of the government, the Minister of Finance and other spokesmen of the government throughout this debate. They complained about the governor going to the press. At the time they complained about him they refused to allow him to appear before parliament to which he is responsible. No matter what efforts the opposition has made over the last four years to call the governor of the Bank of Canada before a parliamentary committee the request has always been refused by the government. If they will not permit the governor of the Bank of Canada to appear before parliament to which he is responsible what objection can they take to this gentleman doing the only thing that is left for him to do, namely to turn to the press to see whether his story can be told?

The Minister of Finance said that parliament must decide, but we must decide in the dark; we must decide blindly; we must decide just on the statement of the minister. We are not allowed even to get the minister before a committee where he can be cross-examined.

Mr. Fleming (Eglinton): Yes; you will have the committee of the whole after second reading.

Mr. Martin (Timmins): I believe that in his remarks today the minister gave the whole show away, the whole underlying causes that have culminated in the debate we have before us today, when he told us that the governor of the Bank of Canada had committed the unpardonable sin of issuing an annual report at the normal time, at the same time it is issued every year, but it just happened to be during the election campaign of 1958. These statements always come out in March but because the government for political expediency decided to call an election then the governor of the Bank of Canada, supposed to be free and independent of the cabinet, had the nerve to issue his annual statement at the normal time and it embarrassed the government. I think that was when Mr. Coyne signed his own death warrant.

Then we saw how on May 30 the minister wanted the governor to resign because of some future disagreement they might have. Yet on June 26 he wants him to resign because of past disagreements. It is obvious to me and to many others, Mr. Speaker, that there has been a struggle going on within the government but the struggle has not been between the Minister of Finance and Mr. Coyne because both of them have been on the same side for the last four years. The struggle was between the old Tory orthodox financial policy of Coyne and the Minister of Finance on the one hand and

the political expediency of the Prime Minister (Mr. Diefenbaker) on the other. That has been the struggle that has gone on for four years.

Mr. Grafftey: You are looking under the bed again.

An hon. Member: And the Minister of Trade and Commerce (Mr. Hees).

Mr. Martin (Timmins): And the Minister of Trade and Commerce as an hon. member says. Over the last four years the Minister of Finance has always won. He is a pretty tough little scrapper. It is also obvious to everyone that Mr. Coyne is a pretty fair scrapper and when the two of them teamed up apparently they were more than a match for the Prime Minister when he wanted to embark on some of the political expediencies that he thought might be advantageous to the Tory party at the moment.

But this time the other side won. Expediency won, and where did this leave the Minister of Finance? He had to do an about-face. He could not very well do it and save face at the same time, so the only thing he could do was to turn on the man with whom he apparently had no disagreement over a period of four years and make him the goat of the whole thing.

I think that the smallest thing of all has been the way an attempt was made to use the pension of Mr. Coyne as a lever to get him out without his story being told. First of all, I do not want anyone to get the idea that I approve of a $25,000 pension for a man with seven years' service, especially when our old age pensioners are trying to get along on $55 a month. But I want to make one thing very clear. The Tories are responsible for both. The $25,000 pension was approved by the Tory appointees on the board of governors of the Bank of Canada and the $55 pension for old age pensioners is also the responsibility of the present government. So they cannot evade the blame for either one.

Mr. Brunsden: It used to be $40.

Mr. Fleming (Eglinton): Under the Liberals $46. That was their limit.

Mr. Martin (Timmins): There we go back into ancient history again.

An hon. Member: You started it.

Mr. Martin (Timmins): The Minister of Finance and the hon. member for Bow River (Mr. Woolliams) both made a great to-do about the 10 per cent boost in tariffs advocated by the governor of the Bank of Canada. Our position on tariffs is very well known in the house and I do not think it needs to be reiterated today.

Mr. Brunsden: What is it? We don't know.

Mr. Martin (Timmins): I should like to know what the difference is between an honest proposal such as put forward by Mr. Coyne and which would be applicable to everyone in the country and the policy of the present government which is to place dictatorial power in the hands of one minister so that nobody will know what is going on and so they can reward their friends and punish their enemies through their tariffs.

Mr. Fleming (Eglinton): You do not believe that yourself.

Mr. Martin (Timmins): I should like to know what the difference is between an honest proposal such as the governor of the bank made of a 10 per cent increase in tariffs and the method now being adopted by the Minister of Finance. If the Canadian dollar is devaluated, it seems to me that it would have exactly the same effect as if tariffs were increased. People will pay that much more for imports coming into the country. The governor of the bank had an honest way and apparently that is unacceptable to the government.

It is obvious that the governor of the Bank of Canada had to be the sacrificial lamb on the altar of Tory political expediency and that is why he is in the position he is today. We found that the present government was determined to push through the house a bill to make the tariff board a government toy. Now they want the Bank of Canada to be in the same position and because the governor of the bank will not go along with it his head must now come off.

However, Mr. Speaker, there is one thing about which the government is consistent and that is their slogan, do it now. I understand that the term of office of the governor of the Bank of Canada expires around the 1st of December of this year. But the government cannot wait for that. They must do it now and it is obvious why. If they wait for six months their greatest alibi will be gone.

There have been many rumours recently, and I am not sure they are finished, of a federal election in the very near future. That is why we see this attempt to lay the responsibility for all the ills, all the mistakes, all the blunders of four years of Conservative rule on the shoulders of the governor of the Bank of Canada. If the government and its spokesmen, and they have got some "dillies", can pull the wool over the eyes of the Canadian people, if they can make the Canadian people so furious about a $25,000 pension that they will forget that only two years ago the government scrapped an airplane that had

cost the Canadian taxpayers over $450 million, embarked on another program that cost another $300 million and have now turned around, I understand, and embarked on another program that is going to cost another $300 million to buy a plane inferior to the one they scrapped two years ago, it is no wonder that they want to fight the next election on the issue of a $25,000 pension.

Neither myself nor the other members of my party, Mr. Speaker, have ever agreed with Mr. Coyne or if we have it has been to a very limited extent. We have disagreed with him far more often than we have agreed with him in the past, but we maintain that even our enemies are entitled to a fair trial. If the day ever comes when I find myself saying or doing what the Minister of Finance and the government are asking the house to do today to try, condemn and execute a man without giving him any opportunity for defence, then I will say that I am no longer a democratic member of a democratc country.

Mr. Brunsden: Will the hon. member permit a question?

Mr. Martin (Timmins): By all means.

Mr. Brunsden: From his remarks I take it that he is in favour of increased tariffs. I take it he is in favour of raising present tariffs by 10 per cent? Is that correct?

Mr. Martin (Timmins): If the hon. member had attended the house often and had listened attentively, I do not think there would be any question in his mind where I and my party stand on tariffs.

Mr. Fleming (Eglinton): You do not want to answer that question.

(Translation):

Mr. L. J. Pigeon (Joliette-l'Assomption-Montcalm): Mr. Speaker, my first words are to congratulate the Minister of Finance (Mr. Fleming) for having introduced this bill.

Mr. Coyne, for a long time, has been making fools of our citizens in trying to sabotage the policy of this responsible government of ours.

The speeches he made across the country are a challenge. The annual report of the Bank of Canada was nothing but an election pamphlet. Under this government the governor of the Bank of Canada had become arrogant; he followed in the footsteps of the opposition like economist Lamontagne.

The Minister of Finance, with his usual wisdom and care has always been patient, not wanting to press on unduly, thinking that Coyne, the economist, would come to his senses and would actually discharge his duties as governor of the Bank of Canada and stop being a political instrument in the hands of the opposition.

In Mr. Coyne's mind the economy of Canada was Mr. Coyne. His attitude is in glaring contradiction with the principles of responsible government. It was time that the Minister of Finance took action because I should not have been surprised if Mr. Coyne had substituted the Queen's picture for his own on our currency.

The people have passed judgment on him. I have visited my riding as all Conservative members do. My constituents told me that it was high time that the government got rid of Mr. Coyne once and for all, and that policy-making be handed back to the responsible government. It would be stupid and illogical to have that man appear before a committee of the house. He is condemned by the public course of action he has chosen. His conduct has been in utter opposition with the minister's.

Logically, he should have resigned without the government having to introduce a bill to that effect. He has instead stood up against a majority decision of the directors of the Bank of Canada. He urged Canadians to save and to tighten their belts while he was having a handsome pension voted for himself.

Here is another argument that condemns him, in my opinion, without any need for a parliamentary committee.

What is serious is that he made public his discussions with the minister. It is unfortunate and hard to understand that Mr. Coyne did not realize the terrible unscrupulousness he was committing.

A minister remains silent at all times about any discussions that take place in a council of ministers.

What is serious, is that out of revenge, Mr. Coyne published a confidential document, namely a memorandum sent by him to the Minister of Finance and containing his views about what should be included in the budget. In so doing the governor threatened the very basis of the whole structure of officialdom and destroyed the secrecy of relations between the cabinet and its advisors.

I must say that I was quite surprised —and interested—to hear the hon. member for St. Lawrence-St. George (Mr. Chambers) read the section of the act which forbids Mr. Coyne to violate his oath and to divulge secret matters. I think that was sufficient reason for Mr. Coyne to resign without being heard by a committee.

The Minister of Finance was right when he said:

The fact that the governor has chosen to violate the confidential nature of these communications is no reason for the government to do likewise and to make public facts which it has always been agreed are of a confidential character.

The opposition has chosen to ask for a vote to show its disapproval of the minister's conduct. In so doing, however, it went against a tradition which ought to be respected at any cost and which it had itself upheld on January 20, 1960 when the famous confidential report was made public.

I hope that the Senate will act wisely and will not oppose this bill.

Mr. Speaker, it can properly be said that Mr. Coyne has been the executioner of the Canadian economy in collusion with the opposition. I should not be surprised to see him run as a Liberal candidate in Manitoba in the next election.

Mr. Speaker, the point at issue here is whether the representative of the Canadian people is Mr. Coyne or the present government. The case in point is whether we should return to democratic principles and responsible government.

Mr. Speaker, the opposition is in hot water over this bill. They do not know what to do about it. If they confess to the people that they lacked judgment and good sense when they appointed Mr. Coyne as governor a few years ago, they will recognize their lack of responsibility and automatically repudiate the governor's monetary policy. If they vote against this bill, they will give up responsible government for dictatorship.

I will vote for this bill because I am in favour of responsible government.

(Text):

Mr. W. H. McMillan (Welland): Mr. Speaker, I should like to refer to one particular aspect of this debate. Many times in the past I have warned the Minister of Finance (Mr. Fleming) about matters in his department having to do with debt, interest rates, fiscal policy and exchange rates. I might say that I have also warned him about matters pertinent to the troubles in which the government now finds itself and particularly the appointment of members of the board of directors of the Bank of Canada, which I feel is pertinent to the troubles which have arisen now between the government and the Bank of Canada.

I have some quotations from statements I placed on *Hansard* in the past concerning the appointments to the board of directors. In *Hansard* of March 18, 1959, over two years ago, at page 2037 I had the following to say:

In my opinion there is one fundamental weakness in the Bank of Canada Act. Members of the judiciary are appointed by the different parties when in power and I think they can be said to be above reproach. However, the members of the board of directors of the Bank of Canada might not always be held to be as much above reproach as they should be. Just the other day, for instance, we heard about one director contributing large sums of money toward the election of different members . . .

Mr. Fisher: Conservative members.

Mr. McMillan: That is right.

And then I continued as follows:

I am not accusing any member of the board of directors of the Bank of Canada of not acting in the best interests of Canada but the implication is there that sometimes they may act in a certain way for political reasons. If a man is contributing $20,000 or $25,000 of his own money to a political party, what assurance do we have that the people of Canada will get the best action from him as a director of the Bank of Canada? Will he always have the good of Canada at heart?

Then I went on as follows:

If we look at the list of directors of the Bank of Canada we see that more than one is a recent political appointment.

When I said "more than one" at that time it was rather an understatement. Then I continued as follows:

Our fiscal policy at the present time is not good. We have the highest bank deposits we have ever had in our history. Yet the Minister of Finance cannot get the people to buy his bonds.

Mr. Fleming (Eglinton): That is not true. The last issue was oversubscribed.

The minister was of course right because he used all kinds of tax gimmicks in respect to that particular issue and it was oversubscribed. Then I went on to say this:

He tells us that he requires money. If so, why are there so many bonds held by the banks? I call on the Minister of Finance and the government to have members on the board of directors of the Bank of Canada who have no political axe to grind and who will at all times give their best consideration to the people of Canada and not make decisions based on political reasons.

Then later, on April 14 I again spoke on this subject and called on the government not to make political appointments to the directorship of the Bank of Canada. I went back and read the debate in 1936. I thought I would see what Mr. Dunning, Mr. W. L. Mackenzie King and Mr. Bennett said at that time in connection with the board of directors. On June 1, 1936, as found at page 3257 of *Hansard* of that date, Hon. Charles A. Dunning, the then minister of finance, moved that the house go into committee to consider a resolution that it was expedient to bring in a measure to amend the Bank of Canada Act in order to provide, among other things, an increase in the capital stock of the bank; to enable the minister of finance to purchase certain shares of the Bank of Canada to assure ownership of a majority of the shares by the government; to increase the number of directors; and to provide for election and appointment of directors in such

manner as to assure voting control of the board by directors appointed by the government.

I was struck by this whole debate and by the remarks of those who took part in it. I will quote just one sentence in connection with the election of the various officers of the bank. It is by Hon. Charles A. Dunning, the then minister of finance, and is be found at page 3263 of *Hansard* of June 1, 1936:

> I am sure no member of the committee need have any fear that such appointments will be subject to political pressure or to partisan influences.

It is true that Mr. Dunning that time criticized the election of the first directors under Mr. Bennett, but he criticized them on one point only. He said at that time that the Canadian chamber of commerce, which was an organized business group, had intervened in the election, submitting a slate of nominees all of whom were elected. He also said that he was not criticizing the personnel of the board. In fact, he paid tribute to the various members of that board who had been appointed under Mr. Bennett, and said that they had done a great service for Canada. He was looking to the future. Of course, they were bringing more directors in at that time and he wanted to get away from the position in which one business organization might nominate directors and have elected all the directors whom they nominated. Even Mr. Bennett did not make any political appointments to the board in his time. This resolution resulted in a bill which passed through the house without any division except one, and that was in connection with the chairman's ruling.

In his speech in the house on that day, Mr. Dunning gave some quotations from the speech of the Right Hon. W. L. Mackenzie King when he was leader of the opposition, as found at page 4228 of *Hansard* of June 22, 1934:

> I do think the directorate of the bank ought to be so formed that, whether the pressure is upon the bank from the government on the one side, or upon the government from the financial interests and through the bank on the other, there should be on the board of directors some one or more persons who will be quick to sense the situation, give the danger signal, and arouse the country to the pressure which is being brought to bear. There is the danger of a government bringing too much in the way of pressure to bear on a central bank.

It is interesting to note that in that debate Mr. King, Mr. Dunning, and Mr. Bennett, all three, agreed with that particular argument. This government is carrying on with all political appointments to the board and that is quite contrary to the thinking of our two former prime ministers, namely Mr. King and Mr. Bennett. I heard the hon. member for Bow River (Mr. Woolliams) say tonight that he represented the constituency that Mr. Bennett represented at one time. He certainly did not put forward any of the arguments put forward by Mr. Bennett in that debate.

An hon. Member: Part of the constituency.

Mr. McMillan: If hon. members will read that debate, I do not see how anybody can come to any other conclusion but that our two former prime ministers of this country would consider the present position intolerable in respect of the composition of the board of directors.

My question again to the members of this house is this, and I submitted it two years ago. Would such men, highly political appointees, have the good of Canada at heart or have they the good of the party at heart? Does a director of the Bank of Canada, whose qualification for that position seems to be that he contributed $20,000 to the party funds, have the good of the party at heart or does he have the good of the Canadian people at heart?

According to the reports, the directors of the Bank of Canada one day are on the side of Mr. Coyne; then after they hear from the Minister of Finance, without any change in government policy and without any change in bank policy, they are all against Mr. Coyne, except one. I say that this is irresponsible action on the part of the board of directors. The minister himself admitted that Mr. Coyne did not know what was in the budget. He therefore should not prejudge him. I am sure that Mr. Coyne did not vote—as a matter of fact, he had no vote—for an increase in his pension. If the minister is going to censure anybody in connection with voting that increase in the pension of the governor and the deputy governor, I think he should censure the members of the board of directors appointed by this government. I also think that the minister should have expected some report from the board of directors concerning this action they had taken. I think it is quite consistent with the minister's statements in this house that one or more of the board of directors consulted the minister beforehand and may in fact have received his permission for this increase in pension.

The minister then would be technically right in saying today that he did not know it had been passed if he had not read the minutes of the board of directors and if someone had not told him that the increase was there. He could easily avoid reading these minutes if he thought they contained any material that might be of use to him at some later date, when in trouble, as is the case now. It seems to me that if we as a

parliament discharge a high government officer, responsible only to us in this parliament, without giving him a hearing, even though he may be 100 per cent wrong we are going against all the concepts of justice in the bill of rights.

If the government have a case, as they say they have, I want to vote with the government. I heard one minister say we are contacting Mr. Coyne. I have only seen Mr. Coyne once, and that was at the time he appeared before the committee inquiring into the unemployment insurance fund. As I say, I do not think we can have two sovereignties in one country, but unless we get some information, unless we get the facts I do not see how anybody can vote with any intelligence. It seems to me that the rights of an individual are involved here. The government should not be afraid to have him come before a committee of parliament. They will have a majority there, as they will have a majority in the committee in this house.

If this government does not allow this, I would say that the bill of rights, framed and accompanied by the words of the Prime Minister (Mr. Diefenbaker) which were meant to immortalize the words of that bill of rights, should be turned face to the wall and never hung face out again unless it is edged in black and draped in mourning, because this is the first great infringement of the bill of rights in the parliament of Canada.

Mr. M. J. A. Lambert (Parliamentary Secretary to the Minister of National Revenue): Mr. Speaker, a great deal has been said in connection with this very sad affair, but I must say it is not my desire to review in detail all that has been said by the opposition. This afternoon we had a long speech by the Leader of the Opposition (Mr. Pearson)—

Mr. Chevrier: That was this morning.

Mr. Lambert: —and frankly what he did was to proceed in a tortuous way to set up men of straw and then try to demolish them. He said the Minister of Finance (Mr. Fleming) was pedantic. We all know that the Leader of the Opposition was a former professor of history and in so far as pedantry is concerned no one can show him the way in this house.

However, I would draw particular attention to that most remarkable speech by the hon. member for Bonavista-Twillingate (Mr. Pickersgill). I would not want to be too unkind to him, but I would say he was almost psychopathic in his personal bitterness toward the Minister of Finance. He lost all reason; he lost all judgment. As a matter of fact, the hon. member is a man who, in attacking the minister and the government for denying, as he says, the rights of parliament, has conveniently forgotten his own actions and attitudes when he was a member of the previous administration.

Mr. Benidickson: But you were going to change all this.

Mr. Lambert: If we were to follow the example of the hon. member from Essex East (Mr. Martin), who delivered what I thought was a rather patronizing lecture to some of the younger members of this house, I might say to the hon. member for Bonavista-Twillingate that a man who lives in a glass house should not throw stones.

He is the master of innuendo. That is what we heard this afternoon—innuendo, smear, hypothetical cases concocted in his own mind. He then proceeded to try to place the blame on the minister and the government. He went to ridiculous lengths and thereby showed merely the paucity of his own thinking.

In so far as the hon. member for Essex East is concerned, we heard from him a great lecture on the bill of rights. He talked about the accused having the right to be heard. But, Mr. Speaker, I would ask the question, who is the accused in this case? Is it not the government that is being accused on all sides? Who first laid the charge but the governor? He is the man who ran out into public print and laid the charges of unfair treatment—

Mr. Howard: He would not be silenced by that arrogant little character over there; that is the reason.

An hon. Member: Communist.

Mr. Lambert: The comments we have just heard of course demonstrate the prejudice that exists in certain minds; the refusal to recognize the situation with a certain amount of objectivity to see what is the principle involved here. The hon. member for St. Jean-Iberville-Napierville (Mr. Dupuis) referred to the accused being denied the right to be heard. If—and I say "if" advisedly—the governor is the person who has been accused, then he has certainly been heard. He has had a whole series of advocates, and if we wish to use the simile of the hon. member for Bow River (Mr. Woolliams), in a court of appeal the accused does not appear; he is represented by his advocates. We have Mr. Coyne's advocates all across the other side of the chamber. He is not without voice and he is certainly not on his own.

We have been besieged by an almost schizophrenic frenzy of literature emanating from his headquarters in the Bank of Canada. I will not go into the question of the propriety of the governor using the facilities of the bank in putting forward his own personal

case, not the case of the Bank of Canada, and utilizing the facilities of the bank, not only to send some copies of letters to members of parliament but to spread them across the country.

Mr. Brunsden: Eight pages today.

Mr. Lambert: The hon. member for Essex East and the hon. member for Bonavista-Twillingate spoke about the fact that two sovereignties could not exist in one country; that they were incompatible. If they admit that, what purpose is being served by their argument? It is wholly sterile. The fact is that the governor has set himself up as a sovereignty and we have the governor of the Bank of Canada challenging the government. That is the clear issue before this house.

Who is responsible for this situation? It is obvious that it is the governor. The governor could have accepted the requested resignation; he could have resigned and governed himself accordingly. He could also have received the request, refused it, kept quiet and carried on his business; or he could have done what he should have done, that is, acceded to the request to resign. If he had a case—

Mr. Benidickson: And the Conservative government could start the printing presses.

Mr. Lambert: —to protest, he could have put his case forward. There was no difficulty. We have here a strange precedent that is being sought. The opposition are asking that where a public servant is in disagreement with the government he may demand the right to appear before a committee and that he can cross-examine a minister of the crown before that committee. From that time onward, every public servant would have that right. But, surely, it is completely illogical to consider that a public servant, such as a general in the army who, on disagreeing with a minister would be relieved of his command, could still stay effectively in command bawling his arguments at the top of his voice. That would not be permitted. It would be the same thing in the case of a high public servant, such as a deputy minister, who refused to resign.

The hon. member for Essex East (Mr. Martin) and others indicated that if there was disagreement between the minister and the governor in 1957 or 1958, this was the occasion to have dealt with the matter. Perhaps he and his friends, too, had prior occasion to disagree with the governor. They did not speak about that. What would have been done at that time, in such a case? What could have been done, except to ask for his resignation? If he had refused, it would only have been possible to have come before this house to ask for his outright dismissal. The procedure would have been the same and we should have heard the same cries of persecution.

The position of the governor of the Bank of Canada is completely unsupportable. If there is any disagreement with the government he must resign. Opposition speakers did say that the minister was wrong in not disclosing that there had been differences of opinion or disputes earlier but, surely, it is an accepted fact that the first time you have a dispute you do not necessarily rush out to the public and shout from the rooftops that you disagree with this or that person. Certainly, there must be an attempt, and a serious, determined attempt, to overcome those differences and to try to work together. I think there is ample evidence that the minister determined to do just that.

We have heard a great deal about the accused having a chance to speak. But since when is it the accepted practice that the government, if charged, must be wrong unless it proves it is right? That is precisely the burden of the argument put up by the opposition. They are prepared to make all sorts of charges, reasonable or unreasonable, and then the government must prove itself to be right. I put it to hon. gentlemen opposite that he who makes charges must either come forward with the evidence or keep quiet. There is a very trite saying, a very popular saying, that you either put up or shut up. That is what I would say to those who make all these charges, fanciful and otherwise, that the government has misbehaved in this regard. Either they should come forward with facts or else they should keep quiet.

Why has this controversy arisen? It has arisen because the governor of the bank willed it so. He is the man who rushed to the press. As far as the minister is concerned, he did the proper thing in asking the governor for his resignation. The next thing we heard, some 12 days later, was that the governor had issued a statement to the press. Then followed a barrage of correspondence and statements, confidential documents which he spread far and wide; then, again, today, we got this document—a most contemptible document. I say this in all earnestness; it was a most contemptible document deserving nothing but the greatest amount of scorn. Charges of blackmail are made. I am questioning whether the governor of the Bank of Canada is the true author of this document though it is true his signature appears upon it. When we look at it, no man with the degree of responsibility which a governor of the Bank of Canada should possess could stoop to such a document unless he was motivated by reasons other than the proper conduct of his office.

There were on another occasion words used which I think are appropriate to this occasion, and I would apply these words to the governor of the Bank of Canada today. For God's sake, go.

May I call it 10.30?

Mr. Caron: May I call it 10.30, Mr. Speaker?

Mr. Speaker: The hon. parliamentary secretary has already asked to call it 10.30, which I see it is.

BUSINESS OF THE HOUSE

Mr. Chevrier: May I ask the leader of the house what is the business for tomorrow?

Mr. Churchill: Tomorrow we shall resume the debate on the budget and if that is completed we have four items of legislation which are ready; item No. 1 on today's order paper, Bill No. S-28, an act to amend the Trust Companies Act, and item No. 2, Bill No. S-29, an act to amend the Loan Companies Act.

As the third item we would consider the bill to amend the Civil Service Act which has been reported back to the house, and there is a further item, the resolution in the name of the Minister of Finance with regard to the industrial development bank.

Mr. Chevrier: May I ask the leader of the house whether it is the intention to continue this debate tomorrow?

Mr. Churchill: No. I said we would go on with the budget debate tomorrow.

At 10.30 p.m. the house adjourned, without question put, pursuant to special order.

HOUSE OF COMMONS

Tuesday, June 27, 1961

The house met at 11 a.m.

RESEARCH

Fourth report of special committee on research—Mr. Murphy.

EXTERNAL AFFAIRS

TABLING OF COMMUNIQUÉ ISSUED BY PRIME MINISTERS OF JAPAN AND CANADA

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, I should like to table and, if the house agrees, have printed as an appendix to *Hansard* the joint communiqué of the Prime Minister of Japan and myself issued following our discussions yesterday.

Mr. Speaker: Is it agreed that the joint communiqué referred to by the Prime Minister be printed as an appendix to *Hansard* today?

Some hon. Members: Agreed.

[*Editor's note: For text of communiqué above referred to, see appendix.*]

AGRICULTURE

DROUGHT CONDITIONS IN WEST—MOTION FOR ADJOURNMENT UNDER STANDING ORDER 26

Hon. L. B. Pearson (Leader of the Opposition): Before the orders of the day are called, Mr. Speaker, I ask leave to move the adjournment of the house under standing order 26 for the purpose of discussing a definite matter of urgent public importance, namely the drought conditions prevailing in western Canada which threaten an imminent collapse of cattle prices and farm income.

Mr. Speaker: I think it is unnecessary to hear any argument on this question. It seems to me that it is a matter which could very readily be debated in the budget debate which continues today. The requirement of urgency of debate therefore is hardly satisfied. I accept the proposition that this is an urgent and important public matter to which the Leader of the Opposition draws attention. It is a definite matter of public importance. However, that is not the criterion in determining whether standing order 26 should be applied. The criterion is whether there is an opportunity to debate this matter in an effective way.

Mr. Pearson: Before you make your decision, Mr. Speaker, perhaps I may be permitted to explain that, as you have stated, this is a matter of urgency; it is not only a matter of urgency of debate but a matter of urgency of action on the part of the government to deal with a situation which is so serious and is becoming worse every day and which, across the border in the United States, has resulted in five states being declared disaster areas.

Some hon. Members: Oh, oh.

Mr. Pearson: The urgency of debate—

Mr. Speaker: If the hon. member wishes to say anything about urgency of debate I will hear him, but not on the issue, because that matter can be debated.

Mr. Pearson: Urgency of debate I should think would be required, Mr. Speaker, so we can ask the government at once to tell us what action they propose to take in regard to the collapse of cattle prices because of lack of fodder, and in regard to the necessity of doing something about this matter and the decline of farm income generally in the face of this situation. It is quite true that in the budget debate we can deal with these matters, but a special debate would give to the government the opportunity of telling us at once what plans the government have to deal with this situation which is now so very serious.

Right Hon. J. G. Diefenbaker (Prime Minister): In view of the statements made by the hon. member, Mr. Speaker, I think I should point out first that the opportunity is available to discuss this matter today. There is no necessity for any adjournment of the house because the government has acted already, has given consideration to that matter, has already received representations from the province of Manitoba and will receive representations from the province of Saskatchewan if they have not come to hand this morning. Every assistance is going to be provided in connection with the provision of fodder and also the transfer of cattle from non-fodder areas to fodder areas.

In so far as the reference to the United States is concerned may I say this. We have been in touch with the government of the United States, our purpose being to secure from the United States permission to have those areas that have been put in grazing or in hay under the soil bank available to us in

Canada for the cutting of the hay. The United States, in view of the circumstances in which it finds itself in the northern states, is giving consideration to that request but I do not look hopefully in that direction. Action has been taken already.

Mr. Speaker: I think the matter might be pursued by a question on the orders of the day if hon. members so desire, but I am not satisfied that there is not ample opportunity to put before the house and the government all the considerations that apply to this important matter in the debate which will follow immediately after the calling of the orders of the day. Therefore with regret I cannot accede to the request of the Leader of the Opposition.

LIVESTOCK

CATTLE—INQUIRY AS TO ESTABLISHMENT OF FLOOR PRICE

On the orders of the day:

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, may I ask the Prime Minister what steps the government have taken to prevent the imminent collapse of cattle prices in the prairies. Have the government given consideration to putting at least a temporary special floor under cattle prices?

An hon. Member: There is a floor price under cattle.

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, the hon. gentleman knows that there is a floor price under cattle, or possibly I should say he does not know, because he would not have asked the question had he known.

Mr. Pearson: Well, Mr. Speaker, may I ask the Prime Minister—I do not pretend to be infallible, as the Prime Minister does—

Mr. Diefenbaker: No.

Mr. Pearson: —but may I ask the Prime Minister again what action he is taking to prevent the collapse of prices in the prairies, and what steps he has taken, if any, for freight assistance to transfer cattle from the prairie provinces to the east, where feed is available. Perhaps he will try to answer that one.

Mr. Diefenbaker: That is a matter for information, and I will give it. I was giving the information; the hon. gentleman did not have it. The committee of the privy council have given consideration to this matter and an order in council has been passed which in effect is as follows. Due to drought conditions the provinces of Manitoba, Saskatchewan and Alberta face a very serious shortage of fodder for livestock and there has already been considerable distress in various areas of the west. To avoid a heavy liquidation of livestock, extraordinary measures will be necessary to provide fodder to drought areas and to move cattle from those areas to other areas for summer grazing.

The provinces of Manitoba and Saskatchewan are now formulating policies to bear part of the freight costs of bringing fodder to and moving cattle from drought areas, and have requested that the federal government share equally with the provinces the cost of such assistance. I think a similar request will also come from the province of Alberta.

As the house knows, similar assistance was provided to the provinces of Saskatchewan and Manitoba in 1958 due to drought conditions, and to all three prairie provinces in 1959 due to the loss of fodder from early snows. Therefore authorization has been given for the payment to the provinces of Manitoba, Saskatchewan and Alberta of one half of the amounts paid by these provinces for their transportation costs on shipments of fodder, for the movement of cattle to feed, and for the transportation of haying equipment from June 26 this year to March 31, 1962, subject of course to such terms and provisions as may be prescribed by the Minister of Agriculture.

Mr. Martin (Essex East): Could the Prime Minister give us the date of the order in council?

Mr. Diefenbaker: The date is today.

Mr. Chevrier: You did not move very fast.

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I should like to ask the Prime Minister a supplementary question, but I would first congratulate him for getting under the wire.

Mr. Martin (Essex East): Hear, hear.

Mr. Herridge: Will the Prime Minister keep the house informed of the agreements made with various provinces and the progress with respect to this assistance?

Mr. Diefenbaker: Mr. Speaker, I would say yes, we shall. As a matter of fact I might add that I will be meeting with representatives of western Canada this afternoon to ascertain at first hand something of the situation in the provinces of Saskatchewan and Manitoba to the end that, as always, immediate action is taken as soon as action becomes necessary.

[Later:]

Hon. Paul Martin (Essex East): Reverting to the order in council, can the Prime Minister give the house an assurance that the order has in fact been passed, and will he kindly table it?

Mr. Diefenbaker: Yes, I will get the order in council and have it tabled.

Mr. Martin (Essex East): Thank you.

PUBLIC SERVICE

REPORTED INTENTION TO REPLACE UNDER SECRETARY OF STATE

On the orders of the day:

Hon. Lionel Chevrier (Laurier): May I direct a question to the Prime Minister and ask him if it is a fact that the government is seeking to replace the under secretary of state. If the answer is in the affirmative, will he tell the house for what reason?

Right Hon. J. G. Diefenbaker (Prime Minister): Apparently the information which the hon. gentleman has obtained is not in accordance with the facts.

Mr. Chevrier: We shall see.

(Translation):

POST OFFICE DEPARTMENT

ALLOWANCE TO POSTAL EMPLOYEES WORKING ON JULY 1

On the orders of the day:

Mr. Lucien Cardin (Richelieu-Vercheres): Mr. Speaker, I should like to put a question to the Secretary of State. Has the minister received representations from local 89 of the letter carrier association, in Sorel, requesting that the 1st of July be observed as a statutory holiday? If so, what decision was taken by the government?

Hon. Noel Dorion (Secretary of State): Mr. Speaker, I believe the question should be directed to the Postmaster General. Moreover I think he is in a position to give an answer.

(Text):

Hon. W. M. Hamilton (Postmaster General): On Saturday the hon. member for Ottawa West asked me a somewhat similar question, giving me notice, and I have now procured the information which I think will answer all aspects of this subject. It concerns post office employees and the effect on their working time of the holiday of July 1.

Those who normally would not work on this day and who are required to work would be compensated at the rate of time and one half. Those who would normally not work on this day and who do not work—and they include the great bulk of the civil service, besides some post office employees—receive neither addition nor deduction from their salaries or hour reserve. Those who would normally work on this day, such as letter carriers, and who do not work are required to make up the hours they do not work on July 1 in one of several ways. The "how" is not important. It is not important how they make up the hours; the contentious point is that they will be required to make up the hours.

At first glance it seems most unreasonable that a letter carrier, for example, who normally works on Saturday but gets Saturday off because it is also July 1 should be required to make up this time in some way. This was my first reaction when I heard of it. However, on investigation I came to the conclusion that the course being followed is the only fair one because of one further fact. Employees normally required to work on Saturday are given, or enjoy, another day off during the week. To take a specific example, a letter carrier who normally works on Saturday might have Thursday off each week. In the week in question, the week including July 1, he would have Thursday off and Saturday off, though the rest of the civil service would enjoy only Saturday. If he was not required to make up the Saturday that he had off he would enjoy two holidays against only one for the rest of the civil service.

I might say that the same set of regulations works in reverse to help such people when a holiday on a regular working day for the civil service falls on their day off. Taking my previous example again, the letter carrier who regularly worked on Saturday and enjoyed Thursday off would be paid overtime in cash for work performed on Friday if a holiday fell on Thursday which was enjoyed by the civil service. In other words, his holiday would be moved to the Friday so that during the week he would work five days as against four for the rest of the civil service, but he would be compensated for having worked the extra day.

I realize, Mr. Speaker, that the explanation sounds complicated. I had difficulty in understanding it myself, and I would be surprised if at first glimpse anyone in the house were to grasp its nuances. However, I think if hon. members will study what I have said it will become clear.

The significant factor in answer to the question is that the effect of the civil service regulations and the action here is to provide equal treatment for all civil servants whether or not they normally work on July 1. I might add one further comment of interest to the letter carriers. Because of the fact that they are not working on Saturday, July 1 they

will have an unusually heavy load on Monday. In many cases where it is necessary because of that load they will be asked to report to the post offices earlier on Monday morning, and will be credited with overtime in respect of that time.

LABOUR CONDITIONS

WINTER WORKS PROGRAM—REQUEST FOR ADVANCES ON LABOUR COSTS

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I wish to direct a question to the Minister of Labour. In view of the fact that the particular period during which the winter works program is instituted is always that period of the year when municipalities are short of funds, and in view of the fact that payments for labour costs are only made in arrears after the work has actually been done, would the minister consider a system of advances on labour costs, where necessary, thus permitting municipalities to increase their participation in the winter works program?

Hon. Michael Starr (Minister of Labour): Mr. Speaker, I wish to inform the hon. member that during the past winter we introduced a new system of interim payments to provinces in respect to this program.

MOOSONEE, ONT.—REPORTED USE OF INDIANS AS STRIKEBREAKERS

On the orders of the day:

Mr. D. M. Fisher (Port Arthur): Mr. Speaker, I should like to ask the Minister of Defence Production whether he has checked complaints that Carter Construction Limited are using treaty Indians at Moosonee as strikebreakers on a Defence Construction Limited project and paying them less than the rate in the fair wage section of the contractor-government contract.

Hon. Raymond O'Hurley (Minister of Defence Production): I understand from the Minister of Citizenship and Immigration that the answer is no, but I wish the hon. member to know that before the strike was declared against Carter Construction Company there were 14 Indians working on the project. I do not know whether they were working as carpenters or otherwise, but they were on the job at the time the strike was declared. I am having a check made to see if the number of Indian workers has been increased. We certainly cannot prevent Indians from working at this site. I have not changed my attitude that this is a provincial matter and that it is for the provincial government to take action with respect to the labour dispute. We hope that the dispute will be settled as soon as possible in the interests of the continuance of this project.

AIRPORTS

WILLIAMS LAKE, B.C.—OPENING BY MINISTER OF JUSTICE

On the orders of the day:

Hon. Paul Martin (Essex East): Mr. Speaker, I should like to address a question to the Minister of Justice based on a press release of the Department of Transport of today's date. The press release, which concerns the minister, reads in part as follows:

> Ottawa—Sporting a 10-gallon hat, justice minister E. Davie Fulton is to officially open a new—Department of Transport airport at Williams Lake, B.C., July 5—
>
> Mr. Fulton will use a short handled, double bladed axe rather than a pair of scissors to cut the ribbon held by Williams Lake stampede queens Paddy Twan and Vivian Chelsea.

My question to the minister is this. Is the double-bladed axe, like the syringe used recently by the Minister of Agriculture, gold plated and, in that event, does the minister not think that in view of the continuing deficits of this government some economy in the use of these instruments ought to be exercised?

Hon E. D. Fulton (Minister of Justice): Mr. Speaker, I thank the hon. member for his great interest in my activities, and I am glad to be able to assure him in the first place that the opening ceremonies, as I understand it, are being arranged and generously paid for by the contractors who built the airport. I do not understand that the double bladed axe is gold plated, but like the Minister of Agriculture, my thoughts will be directed in certain directions as I swing that axe to cut the ribbon.

Mr. G. J. McIlraith (Ottawa West): Mr. Speaker, I should like to ask the Minister of Justice whether this press release was issued at the taxpayers' expense.

Mr. Fulton: Mr. Speaker, I think that question will have to be directed to the Minister of Transport, but I should have thought the hon. member who has been, as a matter of fact, on the treasury benches as parliamentary assistant, on reflection would realize that he is just taking up the time of the house by asking that question, because the answer is within his own knowledge.

Mr. McIlraith: Mr. Speaker, I have no apology for taking up the time of the house in the interests of the taxpayers.

Mr. Fulton: Mr. Speaker, my implication was not that the hon. gentleman should apologize for taking up the time of the house, but should apologize for taking it up uselessly.

Mr. McIlraith: The taxpayers' interest is not useless.

SHIPPING

ST. LAWRENCE SEAWAY—USE IN WINTER

On the orders of the day:

(Translation):

Mr. Y. R. Tassé (Parliamentary Secretary to the Minister of Public Works): Mr. Speaker, would the Minister of Transport have any comments to make in connection with the article which appeared in this morning's *Gazette* and which contained the following sentence:

(Text):

The government will continue to discourage foreign shipping from using the St. Lawrence in winter.

(Translation):

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, I have read the article in question, and I must say that it is obviously in error.

Yesterday afternoon I had a most interesting meeting with a delegation from Halifax and St. John. I had occasion to discuss the problem of navigation on the St. Lawrence river, on the gulf of St. Lawrence and winter navigation generally. I then recalled the decision we took on November 24 last with regard to winter navigation.

For the information of the house, I think I should again read the instructions we issued at the time:

The services of icebreakers in operation in the Quebec area will be as follows during the winter season, i.e. in addition to priority work assigned to each icebreaker, they will assist maritime traffic in the area. They will provide all possible assistance first to ships reinforced against ice, then under the authority of the departmental regional officer, will provide an escort when needed to coastal ships between Quebec and Cap aux Oies and to ships entering or leaving Quebec harbour.

Now I repeated to that delegation what I stated last winter, that ships not reinforced against ice, ocean-going ships not reinforced against ice and proceeding down the St. Lawrence as far as Quebec do so at their own risk.

Hon. Lionel Chevrier (Laurier): A supplementary question. Notwithstanding what the minister said to the delegation, does he intend to encourage navigation on the St. Lawrence during the winter?

Mr. Balcer: For the next season we will apply the exact policy I have just described.

(Text):

COASTAL TRADE—INQUIRY AS TO DISCUSSIONS WITH U.K.

On the orders of the day:

Hon. Lionel Chevrier (Laurier): I should like to direct a question to the Minister of Transport. Has the minister taken cognizance of a question which was asked in the United Kingdom parliament of the joint parliamentary secretary to the transport ministry, Mr. Hughes-Hallett, in connection with Canadian proposals to reserve domestic Canadian trade in the great lakes area of Canada for Canadian ships, in reply to which he said that the British government had no previous consultation whatever with the Canadian government with respect to this matter? Has the minister seen this report, and in view of the question asked and the statement made in the British House of Commons has he any comment to make?

Hon. Leon Balcer (Minister of Transport): I have not seen that article, but I have read similar articles in another newspaper. All I can say is that prior to the announcement of policy we had some discussions respecting the matter of coastal trade with the high commissioner's office here. However, since the new policy was announced in the house we have received no official representations from the high commissioner's office. We are actually sending notices along the lines of the announcement I made to all countries of the commonwealth which have signed the commonwealth shipping agreement.

Mr. Chevrier: This is the object of the question I asked the minister, because the reply given was that the British government had no previous consultation whatever before the Canadian government announced its proposal in the House of Commons. That was the answer given by Mr. Hughes-Hallett.

Mr. Balcer: Prior to the announcement of the policy we had approached the United Kingdom government a few times to ask them to take some action about the fact that use was being made of ships flying the flags of British colonies to the disadvantage of Canada in our inland waters. The British government informed us that they could not do anything about the matter, and it was folllowing these representations and this answer that we took the decision we did.

(Translation):

PUBLIC SERVICE

POSTAL DIRECTOR, DISTRICT NO. 2—BILINGUAL REQUIREMENT

Mr. Alexis Caron (Hull): Mr. Speaker, is the Postmaster General in a position to reply to

the question I asked him on June 26 last with regard to a promotion competition for the post of director of district No. 2?

Hon. W. M. Hamilton (Postmaster General): Mr. Speaker, I hope to be able to reply tomorrow.

(Text):

DEFENCE PRODUCTION

VANCOUVER AIRPORT—USE OF U.S. CONSTRUCTION MATERIALS

On the orders of the day:

Mr. E. J. Broome (Vancouver South): Mr. Speaker, I have a question for the Minister of Defence Production. Is the minister aware that a Vancouver contractor, Beaver Construction Company, who are carrying out a contract with the department to build aprons and ramps for the R.C.A.F. at Vancouver airport, are using aggregate imported by scows from the state of Washington and thus are violating the general conditions of the contract which call for the use of Canadian materials and labour where possible?

Hon. Raymond O'Hurley (Minister of Defence Production): Mr. Speaker, I am aware of this contract which is being carried out by Beaver Construction Company. I am having inquiries made to ensure that they are using Canadian materials. I am not aware that they are getting gravel from the United States, but an inquiry is being made and I will report just as soon as I have the information.

Mr. Broome: I have a supplementary question for the parliamentary secretary to the Minister of National Revenue. Will he investigate the importations of aggregate by Deeks McBride, a company headed by a former Liberal cabinet minister, from both Stillicum and Friday Harbor in the state of Washington, with special reference to whether dumping laws are being broken through special pricing arrangements or other means such as options to purchase?

Mr. M. J. A. Lambert (Parliamentary Secretary to the Minister of National Revenue): We will look into the matter, Mr. Speaker.

Mr. Broome: A further supplementary question—

Mr. Speaker: The hon. member for Port Arthur.

Mr. Broome: This is a supplementary.

Mr. Speaker: I understood the hon. member.

[*Later:*]

Mr. Broome: Mr. Speaker, I have a question for the Minister of Labour. Will the minister have his officials in Vancouver check into impending lay-offs at crushing plants in the Vancouver area because of the importation of crushed aggregate from the state of Washington?

Hon. Michael Starr (Minister of Labour): Yes, Mr. Speaker.

NATIONAL DEFENCE

GERMANY—REPORTED REQUEST BY CANADIAN TROOPS FOR PAY INCREASE

On the orders of the day:

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, I should like to ask the Minister of National Defence whether the report that Canadian troops in Germany have asked for a pay raise is accurate, this request resulting, as the report indicates, from the fast rising cost of living in Germany and the drop in value of the Canadian dollar.

Hon. D. S. Harkness (Minister of National Defence): I have had no information to that effect, Mr. Speaker.

Mr. Martin (Essex East): The papers are full of it.

EXTERNAL AFFAIRS

KUWAIT—STATEMENT RESPECTING CANADIAN TREATY COMMITMENTS

On the orders of the day:

Hon. Howard C. Green (Secretary of State for External Affairs): Mr. Speaker, yesterday the hon. member for Essex East asked me whether Canada has any treaty commitments with Kuwait. The answer is that there are no bilateral agreements concluded directly between Canada and Kuwait. Both countries, however, are parties to a number of multilateral conventions such as those constituting the ICAO, UNESCO, the international telecommunications union, the universal postal union and so on. Incidentally, I would point out that in the heading of the question asked yesterday, as found at page 7035 of *Hansard*, there is a mistake. It now reads "Iraq—Reported Claim to Shakedown of Kuwait". The word "shakedown" should be "sheikdom".

Hon. L. B. Pearson (Leader of the Opposition): May I ask the minister a supplementary question. Has Canada any political commitments with regard to this sheikdom arising out of prior treaty arrangements between it and the United Kingdom which might cover this country?

Mr. Green: This is a very complicated question which the department is investigating, but I am advised that there is certainly no obligation as far as defence measures are concerned.

Mr. Harold E. Winch (Vancouver East): I should like to ask a supplementary question. In view of the threatened invasion of or aggression against Kuwait, has the minister any information from the United Nations on this subject?

Mr. Green: No, Mr. Speaker.

UNEMPLOYMENT INSURANCE

INQUIRY AS TO REPLENISHMENT OF FUND

On the orders of the day:

Hon. Paul Martin (Essex East): Mr. Speaker, the observation made by the Minister of Finance a few moments ago prompts me to see that he is not ignored this morning, and I should like to ask him a question. In view of the fact that we are approaching the end of the session, and in view of the fact the unemployment insurance fund has reached a low and most perilous state, somewhere between $64 million and $70 million, will the minister say what policy the government proposes to announce with regard to replenishing the fund and ensuring that the contractual rights of individuals in this country are not denied under the Unemployment Insurance Act?

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, I direct the attention of the hon. member to my observations on this subject in the budget speech.

Mr. Martin (Essex East): A supplementary question, Mr. Speaker. Will the minister not agree that the only observation he made in his long budget speech was with regard to—

Some hon. Members: Order.

Mr. Bell (Carleton): Mr. Speaker is on his feet.

Mr. Speaker: Order. I think the hon. member for Essex East is anticipating what he would like to say in the budget debate.

Mr. Martin (Essex East): With great respect, Mr. Speaker, I am asking an extremely important question.

Mr. Speaker: The hon. member's question to my mind is not one seeking information, so far as I have heard it. The hon. member proposes to contest what the Minister of Finance said in the budget speech, and that surely is not something to be taken up at this time.

Mr. Martin (Essex East): With great respect, Mr. Speaker, perhaps I did not put my question in such a way as to make it fully understood by Your Honour, and with your permission I will rephrase my question. We are going to conclude our session shortly. The unemployment insurance fund has reached the perilous state to which I referred. I am now asking the minister what the government proposes to do to replenish that fund.

Mr. Fleming (Eglinton): Mr. Speaker, I again invite the attention of the hon. member to what I proposed in the budget speech in relation to the financial side of this question.

Mr. Martin (Essex East): The minister said nothing in his budget address.

Mr. Fleming (Eglinton): I do not have entire responsibility in relation to the Unemployment Insurance Act, but on the financial side there are measures proposed in the budget that will be of great benefit but which apparently are not yet known to the hon. member for Essex East.

Mr. Pearson: The answer is "nothing".

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed, from Friday, June 23, consideration of the motion of Hon. Donald M. Fleming (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means, and the amendment thereto of Mr. Benidickson.

(Translation):

Hon. Noel Dorion (Secretary of State): Mr. Speaker, I was particularly impressed by the speech made last Tuesday by the Minister of Finance (Mr. Fleming). The duty he was faced with then was most tricky, difficult and consequential.

Any budgetary measure has repercussions on the economy of a country, on its trade, its industry and its relations with other countries. One can imagine the tact, the know-how and the knowledge required to perform such a task. The Minister of Finance proved once again last Tuesday that he possesses all those qualities to a great degree, and all members of the house should be unanimous in commending him in spite of the differences of opinion they might have.

I should also like to emphasize the courtesy he showed us, his French-speaking fellow citizens. Ever since his first budget speech, he has made it a point to express himself in our language to summarize some fundamental proposals. Since then, he has always been true to that line of conduct. I wish to congratulate him and to thank him. That means that he recognizes the important role his compatriots of French language and culture are

called upon to play with their fellow citizens of English language and culture, in the economic life of our country. A reminder of this basic truth can only bring the two great people who founded this confederation of ours to work more closely and more efficiently together.

I have read with mixed feelings the speeches which were made concerning that most important document which was laid down by the Minister of Finance. A few of them were meaty and contained specific suggestions but, unfortunately, many of them seemed to go astray into the doubtful avenues of demagogy. However, if there is a debate that ought to be kept far and above all partisan or petty considerations, it is surely this one, because what is at stake in this instance is all the more serious as it involves our nation's economic progress and well-being. Faced with such a problem, it seems to me that we should proceed by the straightforward and enlightened ways of good sense, logic and objectivity in seeking the solutions called for by circumstances.

In order to fully understand the nature and the full weight of this budget, we should judge it on its substance and in the light of the facts and events of which it is but a result. It matters little whether the December estimates have met with adverse winds and have thus been in part invalidated by conditions for which surely the Minister of Finance cannot be held responsible. Under our system of government, where planned economy cannot be the rule and where economic activities are generally left to private enterprise, we have no cause to be shocked at this juncture. The government's role is limited to seeking and submitting measures which, in the present circumstances, seem most appropriate for stimulating this nation's economy and giving it such impulse that will carry it forward toward new achievements. There you have considered in its true perspective, the problem related to the budget and facing us as well as the Canadian people as a whole.

The measures introduced by the Minister of Finance have not been brought about in a haphazard way. Quite the contrary, they are part and parcel of a policy laid down previously, a policy which dominates those measures and a prerequisite of which is the economic independence of the nation.

They go back to the actions first taken by this government since coming into power and they are in line with the task assumed by the Conservative party, which is to throw off the yoke of foreign domination, under which we were gradually sinking.

As early as December 1960, the Minister of Finance had laid the necessary and logical basis in his little budget which was a sort of prelude to the one which is now submitted to us. Both are based on the same spirit and have the same purposes. A brief summary will confirm this.

Most of the measures advocated by the Minister of Finance last December fall into three main groups—an increase and a channelling of national savings invested in Canada, an increase of income tax on revenues transferred abroad; and, finally, a review of the customs tariff.

The purpose of the first group of measures is to bring investment companies and pension funds to invest most of their money in Canada. In accordance with this, new industries in depressed areas that undertake to use local raw materials which have so far been exported and manufacturers of products which until now have been imported from abroad are entitled to double depreciation for one year.

In his budget speech, the minister stressed the interest with which this action was received by some industries. It looks as though we might expect good results in the field of employment and industrial development.

Mr. Chevrier: Will the minister permit a question?

Mr. Dorion: Certainly.

Mr. Chevrier: Could the minister tell us, at this stage, how many industries have been set up in the depressed areas of this country, under that legislation proposed by the Minister of Finance?

Mr. Dorion: Mr. Speaker, I believe the Minister of Finance himself replied to that question in his budget speech, when he said he had received over a hundred requests, I think, from companies wishing to take advantage of that legislation.

Mr. Chevrier: Mr. Speaker, I would not like to interrupt the Secretary of State, but I wonder whether he could tell us how many industries have been set up in the depressed areas of this country?

Mr. Dorion: Mr. Speaker, surely I am not in a position to give more information than the Minister of Finance himself.

The second category of measures provided for an increase from 5 to 15 per cent of the

tax now levied by the government on income earned in Canada and transferred abroad. There is no question, under that legislation, of simply ballyragging foreign interests, but rather of ensuring that those interests contribute more to public expenses, and that the entry of foreign capital be limited to proportions more in line with the requirements of our economic independence.

On the other hand, and in order to encourage our own investments, the surtax of 4 per cent on the dividends of Canadian investments was abolished.

The third category of measures provided for the revision of some items of the customs tariff, and for the redefinition of products of a type made in Canada.

That redefinition, as wrote Mr. Jacques Parizeau, Montreal economist and professor at the Ecole des Hautes Etudes, in Montreal:

—is probably the most important aspect in the budget.

That was also the opinion of some particularly experienced businessmen. That measure could facilitate the working of anti-dumping legislation and at the same time protect our own manufactured products against certain imports which, by evading the intent of the law while observing its letter, can take advantage of the lower tariffs.

Other measures were also proposed such as the establishment of an export financing bank to help our industry to increase its sales abroad, in order to stimulate production and employment in this country.

Again, according to Mr. Jacques Parizeau, that December budget.

—is probably an outstanding event in the history of Canadian economic policy.

Another economist, Mr. Roland Parenteau, also professor at the Ecole des Hautes Etudes in Montreal, then expressed his views as follows:

Inasmuch as we are faced with a structural crisis, the nature of those various measures may turn the tide in the right direction. Already, the exchange rate has moved in a direction favourable to our trade balance. That alone might do more towards a permanent eradication of unemployment than all conceivable public works.

In his annual report to the shareholders of the Montreal city and district savings bank, Mr. Guy Vanier, chairman of the institution, also commended the Minister of Finance for setting the country in the right direction. Here is what he had to say:

Processing firms, provided they can count on a steady domestic market and on proper foreign trade possibilities, could, more than anything else, reduce unemployment in a progressive and permanent way.

Those are eloquent marks of appreciation resulting from an objective and unbiased study and which are certainly just as good as any criticism heard in this house. Being of immediate and long term significance, this budget encourages the growth of Canadian enterprise while reducing at the same time the benefits of foreign investors in Canada. Well, it is with that logical system that this budget was prepared as it is with that logical system that the various policies of this government have been pursued since the people of Canada gave us the responsibilities of power.

Like last December's budget, one of the main purposes of this one is to check foreign capital inflow into Canada while promoting Canadian investment in our own business.

Have we often stopped to think that since 1950, U.S. investments alone in Canadian business have reached over $3 billion, half of which have been invested in the oil industry? Should this government not be concerned and not increase the steps it had already taken to ensure Canadian economic independence?

As a second aim, we want to balance our foreign trade as much as possible. International trade is a two-way road, but if the incoming road is wide and spacious while the outgoing one is narrow and difficult, it creates an unbalance which eventually bears heavily on the Canadian economy. The result for us is a weakening congestion of our manufacturing industry and a consequent increase in unemployment.

The government's present policy is in fact reversing the trend. In 1960, our exports rose by $225 million, or 5 per cent over the previous year, reaching a total of $5,395,300,000; our imports, with a drop of 2.1 per cent in relation to the previous year, totalled $5,495,800,000, leaving a total deficit of $100,500,000, as compared to a deficit of $368 million in 1959.

Some have been shocked at our budget deficit. However, should our international deficit not be our first concern? Should we not give top priority to a better balance in our external trade, and to the balance of payments, and try to maintain our main industries and to increase their production and manpower?

On this last point, I should like to point out the tariff amendments which are provided to ensure greater protection to some sections of the textile industry. I have been reading the complaints of the hon. member for Drummond-Arthabaska (Mr. Boulanger) in that regard, and his bitter words to the government and to Quebec members on the government side.

Apparently the hon. member is totally unaware of the origin and nature of the problem, because otherwise, he would have kept cautiously silent or would have directed his complaints to his friends in the opposition.

Instead of reproaching others for their silence, he should have made a serious study of the problem and come up with specific proposals to solve it, proposals which his friends in the opposition would have been prepared to support.

First of all, I will remind him that it was the Bennett government which, through the 1932 Ottawa agreements, first afforded adequate protection for the textile industry. The measures then adopted in that field produced such results that according to economists that industry was one of those which suffered the least from the depression which affected most areas of the Canadian economy, a depression that did not originate with the Bennett administration, as some are wont to say, but with the financial crash of 1929, which occurred when the Liberal party was still in office. Following the return to power of the Liberals in 1935, the textile industry started on a downgrade. Since 1939, under their rule, specific duties protecting it have only been reduced. That is how the friends of the hon. member for Drummond-Arthabaska cared about an industry which in the province of Quebec, apart from the city of Montreal, involves at least one seventh of the labour force.

In that field as in many others, we had to endeavour to right the wrong that had been done, while complying with the international agreements binding our country. Therefore, as soon as he was sworn in, the Minister of Finance (Mr. Fleming) invited the tariff board to undertake a complete review of all GATT items regarding textiles, clothing and their manufacture. He gave them very definite instructions that in their recommendations they seriously take into account the economic situation of our own textile industries. In June 1958, the first findings were released and later on the minister hastened to order an increase in the tariffs on woollens subject to the British preferential rates.

What was the reaction of the leader and the friends of the hon. member for Drummond-Arthabaska? I would ask him to read again the speeches made in this house on August 13, 1958, particularly the one delivered by the Leader of the Opposition (Mr. Pearson) and the one, even more peremptory, delivered by the hon. member for Bonavista-Twillingate (Mr. Pickersgill). If I had time, I would quote extensive extracts from that speech. But I will be content with reading the two paragraphs which in my opinion are the most characteristic:

(Text):

It is rather difficult to think of any industry that is much less indigenous. The raw material comes from abroad; the machinery in the plants comes from abroad, and the skills originally came from abroad. It is certainly not by any stretch of the imagination an indigenous industry.

What is being proposed, if it is seriously intended and if the government gets away with it this time, is to provide really high protection and really to make us self-sufficient in woollens at the expense of other Canadians. If that is so I would say we are embarking upon a most dangerous course. We should know now whether we are embarking on that course. It does not matter whether you look at this from the point of view of the generality of Canadian consumers or from the point of view of those particular industries that depend upon markets abroad—the United Kingdom, Italy and Japan are the three principal exporters to us at the present time of woollen goods—it seems to me that this policy is folly. It is contrary to our interests.

(Translation):

There you have the off-hand way in which the hon. member dealt with that industry set up in Sherbrooke in 1844, which numbers more than 800 plants throughout the country and which provides employment for about 70,000 people in the province of Quebec alone. In other words, that meant that if that industry could not subsist without protection, there was only one thing to do, and that was to drop it. Previously, he had made the following remarks:

(Text):

I consider that to increase the tariff on wool against the British is a very bad thing in itself. I will say something more about that, though I cannot add much to what was said so admirably by the Leader of the Opposition on that point. But I say this is just part of the policy; this is just the prelude to an increase in the most favoured nation rate against a country which is an essential market for our primary producers. The only excuse the tariff board could find was that this industry had social significance.

(Translation):

What does this mean? Would that reason not be sufficient? Are social consequences really such a poor excuse to the introduction of legislation? Since when does the concern for social classes or some of them not form part of the considerations that should command the attention of legislators?

Most fortunately, this government considers its obligations in a very different light. In view of the difficulties facing the textile industry, the government started negotiations

with countries enjoying the most favoured nation tariff. On April 10, 1959, an agreement was reached under which the tariff on woollens with those countries was increased proportionally to the increase in the preferential tariff. On May 31, 1960, the tariff board submitted further recommendations of which the most important, on that occasion, referred to coloured cotton goods. Through further agreements involving on our part concessions in other fields than the textile industry, and without the industry in general being adversely affected, tariff rates were increased.

A lot could also be said about the negotiations which the Canadian government has successfully conducted with Japan. Suffice it to recall that on May 5, 1960, the association of Canadian clothing and textile manufacturers commended the government for having, and I quote:

> —tried to restore order and logic in our market which was upset by Japanese exportations.

And the president of the association, Mr. Peters, added:

> Had it not been for the determination shown by the Canadian government in its discussions with the Japanese authorities these last months, the dangerous inflow would have been devastating.

Just a few weeks ago, the house was told by the Minister of Finance that Japan had consented to new voluntary quotas for the year 1961.

The present proposals of the Minister of Finance concerning textiles are pursuant to the logic of this policy. It is not surprising therefore that these last days, Mr. G. B. Gordon, president of Dominion Textile, stated that he was hopeful because of the firm intention of the Minister of Finance to avoid resorting to the most rigid forms of GATT during tariff renegotiations.

True to the imperatives which inspired the budget he brought down in December, which was aimed at reducing the flow of foreign capital to Canada and at encouraging Canadians to invest in their own country, the minister has also proposed a certain number of monetary policies which have already had an effect on business. The reduction of the interest rates will stop Canadian borrowing on foreign money markets and will stem the tide of imported capital. His task will be all the easier since the federal government will strive to put as little pressure as possible on the bond market.

To achieve that end, the government will finance its operations through short term credit and leave the whole long term bond market to municipalities, provinces and private enterprise. In that same frame of mind, the bonds which constitute the reserve of the unemployment insurance fund and are negotiable at any time will be replaced by non-negotiable bonds. Moreover, to free the market, a government bond redemption fund will be created with a capital of $100 million, which will enable the buying of government bonds on the open market. Finally, the funds of the industrial development bank will be increased from $160 million to $400 million. Financing means available to our business firms will be increased accordingly.

It is with a feeling of relief that all those measures and others of a similar nature have been received throughout Canada. Among a great number of views expressed by both labour and business there is one which seems to summarize them all and which I would like to quote. It was expressed by Mr. F. D. Mathers, president of the Canadian Manufacturers' Association:

> Of particular significance are the measures aimed at the devaluation of the Canadian dollar, as well as those reducing interest rates. The abolition of the excise tax on new automobiles and the tariff changes announced should help the industries concerned. Those items in the budget as well as the broadening of the industrial development bank's field of operations, the increased allowances for capital depreciation and for expenditures relating to scientific research, represent so many encouraging factors which, within the budget, should have a beneficial effect on employment opportunities.

In the establishment of the economic policy, the government's contribution must first of all be of a supplementary nature. It consists in promoting the co-ordination of efforts and in providing the community with general and specific means likely to make private enterprise more productive. To meet this requirement the present budget includes both fiscal and monetary measures. In the government's pursuit of policies leading to economic recovery, both types of measures are as related to one another as a pendulum to a clock. That is why obstacles had to be removed. I am confident that thanks to the hope which the minister's budget has given to the Canadian people, to the combined efforts of labour, business and finance, to that spirit of industry, co-operation and mutual help which prevails within the Canadian community, he will achieve the happy results we expect and will largely contribute to restore the economic independence of our country.

Mr. Boulanger: Mr. Speaker, could I direct a question to the Secretary of State? Following the changes which were made in the Customs Tariff, could the Secretary of State tell us first, how much the textile industry has benefited from the measures mentioned, and second, whether it is true that the domestic production of Canadian industries has fallen from 52 per cent in 1956 to 47 per cent in 1960?

Mr. Dorion: Mr. Speaker, I am not in a position to ascertain the figures the hon. member is quoting. But I believe it is beyond all question that evidence given by Mr. Gordon bears out that the present budget of the Minister of Finance can help the textile industry in Canada.

Mr. Chevrier: Would the minister permit a question? Is he aware of the evidence given in the other place by Mr. Berry, chairman of The Primary Textile Institute, to the effect that in the last 3½ or four years, the number of textile workers has dropped by 25,000?

Mr. Dorion: I am not aware of those figures, but I am aware of the evidence that was given and I admit that the figures given by my hon. colleague may be correct. Yet, what I said remains true. It is the result of a policy of the former administration, which had taken no account of the textile industry and had resulted from the principles laid down by the hon. member for Bonavista-Twillingate (Mr. Pickersgill), as shown by the quotations I read a few moments ago.

(Text):

Mr. H. J. Robichaud (Gloucester): For the last 30 minutes we have listened to the Secretary of State trying to prove to this house that on March 30 of last year the Minister of Finance introduced a budget forecasting a surplus of $12 million and that on December 20 this forecast resulted in a further baby budget forecasting a deficit of $286 million, which has resulted on March 31 of this year in a net deficit of $353 million.

I feel it has taken a long time for the hon. gentleman to extend all his congratulations to the Minister of Finance. However, it now appears obvious that the members of the mutual admiration society have settled their strike after having been instructed by the dictatorial head of the government to keep mum during the last two days of discussion of this budget. They have finally realized that such an attitude is not good for the proper conduct of parliamentary debate and not in the interests of the country. Probably this morning someone has brought to their attention an article which appeared in today's *Globe and Mail* entitled "Parliament's Business". I wish to put on record one paragraph of this article, which reads as follows:

> It would be a mistake, for example, to attempt to cut short the current debate on the budget. Finance Minister Donald Fleming's proposals are among the most important business to come before this parliament and neither the government nor the opposition parties should attempt to stifle reasonable expression of opinion from the back benches.

As I have said, it now appears that this article has had some effect on the government side, because it now seems obvious that they intend to participate in the debate on this budget.

In introducing his budget on March 31, 1960 the Minister of Finance stated, as reported on page 2670 of *Hansard*:

> Last year we emerged from a recession which has been caused by a number of factors.

Here we are on June 27, 1961, 14 months later, and according to the minister's present budget which is now under discussion we are still emerging from the recession. The Minister of Finance was not the only member of the cabinet who expressed similar views. Two months previously, as reported on page 517 of *Hansard* on January 29, 1960, the Minister of Labour (Mr. Starr) said this in the house:

> What about the recession? Everybody knows the recession is over. Everybody, that is, except hon. members opposite, particularly the hon. member for Essex East and his group.

Only one month later, on February 17, as reported at page 1164 of *Hansard*, the Minister of Public Works had this to say:

> Although heavy government expenditure and government deficits are appropriate in times of recession I think we will all agree that in normal circumstances government expenditures should be limited to our income.

Now, every member of this house recalls the presentation of the budget on March 31, 1960. Every member of this house recalls the applause and desk thumping by supporters of the Minister of Finance when he announced that with revenue estimated at $5,892 million and expenditures at $5,880 million, he expected a surplus of $12 million for the coming year. It was on that occasion that the Minister of Finance said he was confident that employment would increase as the coming of spring opened up new job opportunities and as the economy, to use his words, continued its upward trend. As we on this side of the house said at the time, the only cure in the mind

of the Minister of Finance was to hope that unemployment would disappear with the melting of the snow. As the snow disappeared unemployment decreased to some extent, but within two or three months it had increased again to a record high and has remained at that level since. In fact the last report made public by the dominion bureau of statistics indicates that at the end of May of this year unemployment in Canada was 30,000 higher than it was at the same date last year.

I suggest we have here a government of confusion which has refused for two or three years to admit that there was a recession; a government which refused to admit that there was unusual and abnormal unemployment in this country. This is the government which refused to recognize the recession but which told us two years later that the recession was over and that we were then emerging from it.

Let us see what the Minister of Finance had to say about the government's tax policy at the time he introduced his budget on March 31, 1960. As reported at page 2681 of *Hansard* for that date the Minister of Finance is recorded as follows:

> The fiscal policies we followed during our first year in office had a major influence in reducing both the depth and the duration of the recession, and by the third quarter of 1958 the low point of the recession had been passed and the forces of expansion began to gather momentum. By the spring of 1959 recovery was well on the way, and in my budget speech a year ago I recommended to this house policies which were designed to bring us back to a position of budgetary balance as soon as the economy had recovered the losses of the recession and was moving firmly forward and upward to new record achievements in production, employment and investment.

The minister then carried on to say:

> The position we have now reached, with its sound prospect of a fully balanced budget,—

He insisted upon having a fully balanced budget. Then to continue his statement:

> —represents the fruits of carefully designed policies carried forward over the past 18 months. This is not something that has just happened. It is the result of considered aims and efforts. It began with the great conversion loan of the summer of 1958 which made possible a policy of sound debt management which in turn restored public confidence in government credit and in our determination to control the powerful forces of inflation. It was continued in the expenditure controls and the tax changes of 1959, and is reinforced in this year's program of reduced controllable expenditures balanced by the continued promotion of constructive national development.

I ask what have been the results and what have been the fruits of these supposedly carefully designed policies carried forward by the present government over the past 18 months. The policies of the present government were so carefully designed and put forward that within nine months the Minister of Finance had to introduce in this house the baby budget of December 20, 1960. As a result of the supposedly carefully designed policies of the government the $12 million surplus of March 31 had been dissipated and in the minister's misconception there was born a new baby, a forecast deficit of $286 million. Furthermore we learn now, five months later, that this second forecast of the Minister of Finance has been wrong again, and from these carefully designed policies of the government the deficit is now increased to $353 million. In other words the December 20 baby has grown by another $77 million in a period of less than six months.

That was the result of the carefully designed policies of the present government; policies under which the debt of this country has increased by over $1,500 million in the last four years; policies under which unemployment in this country has reached a record high comparable only to that period of the hungry thirties when again there was a period of Conservative government. I ask, has this country ever before in its history seen more confusion, lack of policy or lack of leadership than it has from this government?

This is the government which, in 1957, told the people of this country that every Canadian man, woman and child was having his or her pocket picked by $30, and that every Canadian family was overtaxed by $120. This is the government which told the people of this country that it was time to take the unrepentant tax masters off the backs of the Canadian people. Those words were repeated throughout the campaign again and again by the Prime Minister.

Mr. Speaker, I ask what has been the fiscal record of this government since it took office in June, 1957. The record is as follows. In 1958 there was a deficit of $38 million; in 1959, a deficit of $609 million; in 1960, a deficit of $413 million; in 1961, a deficit of $300 million; an estimated deficit for the current fiscal year of $650 million, and there are clear indications now that it will likely be much higher than that. There has been deficit after deficit.

Notwithstanding these deficits the present government by its carefully designed policy has, in the last four years, dissipated a fund of $900 million which was reserved for unemployment insurance to protect the labour class of this country. In other words the record of this government—a blue government, always in the red—is that in the last four years it has added some $750 to every Canadian taxpayer's load. That is the government which, after its first year in office, blamed the situation on an administration which had left it with a $500 million surplus and a fund for unemployment insurance of

over $900 million, with an average 3 per cent to 3½ per cent unemployment average in this country. This is the government which, as I said earlier, through statements made in this house by its Minister of Labour and its Minister of Public Works, made it clear over 18 months ago that the recession in this country was over. These statements were confirmed in no uncertain terms, as I have shown, by the Minister of Finance in the presentation of his budget of March 31, 1960.

In introducing the present budget last week the Minister of Finance said, as reported at page 6642 of *Hansard* of June 20, 1961:

> When there is a substantial degree of slackness in the economy, in the form of excess productive capacity and idle manpower, budget deficits can provide an important stimulus.

We have had deficit after deficit since this government took office, and we are still waiting for the important stimulus to which the Minister of Finance referred. The minister then went on to state:

> By means of such a deficit the government, through its expenditures, places in the hands of the public substantially more purchasing power than it withdraws through taxation. If appropriately planned and timed, a substantial deficit can encourage higher levels of output, employment income and savings, without incurring risks of inflation.

I repeat, this is what this government has been doing since it took office in 1957, and it has failed to create that stimulus which should have benefited the economy of this country. In view of the highest series of deficits in Canadian history, such as the $609 million in 1959 and the $413 million in 1960, has this government succeeded in obtaining the results which it claims it now can achieve with the present forecast deficit of $650 million? If it could accomplish nothing but unemployment in the last three or four years, how can we expect a deficit of $650 million this year to revive the Canadian economy?

I want to repeat what I have said before in the house; that the present government, with its Minister of Finance, is shirking its responsibility. In the first two years of the present government the previous administration was blamed for the state of affairs in the country. When at last they found that their "what would you do" questions were not being taken seriously any more by the general public, they had to put the blame on someone else. We had such statements as we have heard on many occasions from the Minister of Finance and other ministers of the government to the effect that the rate of economic expansion in Europe had shown some hesitation and was having an effect on our country; that conditions in the United States were responsible for the slow-down in Canada.

[Mr. Robichaud.]

Suddenly, however, after realizing that it had failed to implement policies such as were suggested on many occasions from this side of the house, the government had to find someone else on whose shoulders to put the blame for its failure. Realizing that it had to reverse its stand on fiscal and monetary policy, the government chose to put the blame for the whole state of affairs on the shoulders of the governor of the Bank of Canada. There again we have the government and the Minister of Finance shirking their responsibility. In their despair they had to find a scapegoat.

If conditions are such today that the governor of the Bank of Canada is to be blamed for the failure of the government to administer the affairs of this country in a sound and satisfactory manner, why did the government not take action two or three years ago when the situation was in as great a state of confusion as it is today? If, after a series of deficits unprecedented in Canadian history and amounting to almost $1½ billion in less than four years, the government has failed to stimulate the economy of the country, I ask again how it can be expected that a further deficit of $650 million will be fruitful in stimulating productive efforts which could result in an expanding economy.

I find very little in this budget, Mr. Speaker, which will have the effect of stimulating productive efforts in this country. In fact the deficit of $650 million forecast by the Minister of Finance is to cover estimates of the different departments which were arrived at almost nine months ago. A large proportion of those estimates has already been discussed and passed by parliament, and I must say that to our great disappointment we have found in those estimates nothing new, nothing sensational, nothing like the $1,180 million public works program forecast by the Prime Minister in 1957 and 1958.

I agree that unemployment is not a problem that the federal government alone can solve; nevertheless this government assumed the responsibility of solving the problem of unemployment when its leader repeated time after time "No one will suffer from unemployment as long as I am Prime Minister of this country, deficits or no deficits". I recall at this time the words of the Prime Minister on his "Nation's Business" telecast of September 2, 1960, when he said:

> I have not the time to outline the many other practical approaches which we are taking to increase the total number of year-round jobs and to alleviate seasonal unemployment. To give just one example, instructions have already gone out to senior government officers across the country to recommend any federal project which can be undertaken at once in any area where unemployment is high.

For four days during the present session, Mr. Speaker, the house has discussed in detail

the estimates of the Department of Public Works, and I must say that if instructions such as were mentioned by the Prime Minister have gone out to senior government employees across the country to recommend federal projects which could be undertaken in areas where unemployment is high, either the senior government officials have failed to make the recommendations or, as we have more reason to believe, such instructions have never been issued.

I ask the Minister of Finance and the government, what is there in the budget that is to the advantage of the Atlantic provinces? What do we hear about such projects as the Chignecto canal and the Northumberland strait causeway? In the case of the Chignecto canal a survey is supposed to be under way. What amount has been reserved in the estimates to assure that the feasibility study of the Chignecto canal will be carried out satisfactorily and that a report will come out which will prove once and for all whether this project, which is needed in the Atlantic provinces and is being requested by them, is feasible?

I ask the Minister of Finance, what is the government doing about the survey of the Northumberland strait causeway to link Prince Edward Island with New Brunswick? We know that approximately three quarters of a million dollars has been spent to date, and we are not even able to obtain a report from the Minister of Public Works on the results of this survey. I ask the minister, what action is being taken by the government to provide certain ameliorating works which would be directed toward the development of harbours in fishing areas and fishing communities? In these communities the level of unemployment is among the highest in Canada. We have the means to provide work for these fishermen if the Department of Public Works will provide the necessary facilities so they can carry on their fishing operations.

I ask the minister, what is there in the budget to guarantee capital investments in the Atlantic provinces, to guarantee certain tax incentives which would be an inducement for industry to establish in the Atlantic provinces? We have now in my own constituency great development possibilities. A new company has just been formed to carry on the development of the mineral deposits in Gloucester county. I ask the minister, what incentive is there in the budget which will encourage companies to proceed with such developments that would mean so much not only to my own constituency but to the whole province of New Brunswick and the Atlantic provinces generally?

In my opinion one of the major points in the budget has to do with the operations of the exchange equalization fund. The Minister of Finance, in a most obscure and indefinite proposal, has promised to influence the movement of the Canadian dollar toward appropriate levels. How far down will it go? How much will it be depreciated? No one seems to know, including the Minister of Finance himself.

Mr. Fleming (Eglinton): Don't kid yourself.

Mr. Robichaud: Let us see what the Minister of Finance had to say about this very same problem just a little over a year ago, on March 31, 1960. I quote the minister's own words as recorded on page 2673 of *Hansard*:

> I have seen some references to a demand that the government should deliberately devalue the dollar. This kind of talk might have been appropriate when Canada was on the gold standard, or even when it maintained a fixed exchange rate. We have not been on the gold standard for half a century and we have not had a fixed exchange rate for a decade.
>
> An attempt by the government artificially to lower the external price of the Canadian dollar would involve borrowing or raising by taxes very large sums of money with which to buy up foreign exchange. It might well be that the government could not reduce the inflow of funds sufficiently without imposing direct controls on capital movements and then on the movement of goods. Apart from the economic objections to such policies it would be a very difficult matter to work out effective technical means of control. Even then the controls would not be effective unless the objective were one which commanded the broad public support which is necessary for general compliance. In other words we would be embarking upon a gigantic financial speculation with no assurance of success.

It would be interesting to know the reasons for such a transformation in the minister's attitude toward devaluation of the dollar. It seems to be generally agreed that had the premium been forced down and kept down some years ago it would have helped Canada keep down the rising costs which now menace our economy. We ask the question, are high living costs going to result from the new policy of the government? We already have indications which lead us to believe this will be the case. With such high costs part of our general way of life, we ask ourselves how effective this action to reduce the dollar premium will be. If the government, even with $1.5 billion in successive deficits, has failed to provide an incentive to promote business and stimulate expansion, how does it expect to succeed by the implementation of these policies? Where is this relief from high costs, this relief from high taxes about which the minister was talking when sitting on the opposition side of the house? The Minister of

Finance must admit he has failed to introduce a program which will lift the economy out of the doldrums. He is offering too little too late.

The incentive needed for a move forward is not found anywhere in this budget. The 1961 budget may be described as a deluge of words which will dry out with time, without producing any satisfactory results. This budget is a confession of failure when viewed in the light of the promises of a balanced budget, fiscal responsibility and a free exchange rate. Doubts, and very serious doubts, are being expressed throughout the country on the uncertainty of the measures introduced for the purpose of stimulating the economy. What is needed is a program which will result in peak employment and promote a boom in the economy. Such a program is not included in the present budget.

Mr. Deputy Speaker: I am sorry to interrupt the hon. member, but his time has expired.

(Translation):

Hon. Pierre Sevigny (Associate Minister of National Defence): Mr. Speaker, it is most interesting to note the comments from all parts of the country on the budget introduced in the house by the Minister of Finance, on June 20 last.

This anxiously awaited budget seems to have caused a pleasant surprise to those who are interested in the development of the Canadian nation and who were wondering what action would be taken by the government as regards present problems.

Mr. Speaker, before coming to the heart of the matter and expressing my views about some of the measures contained in the budget, I should like once more to emphasize the harm done to our domestic and external economy by that policy of doom and gloom advocated for too long by both parties of the opposition. By incessantly harping on unemployment, by predicting large, tragic disasters, by repeating on the hustings, over the radio and on television that the Canadian economy was going to pieces, the Liberals succeeded in bringing about such unfortunate results that the effects are still felt both in Canada and abroad.

Mr. Habel: That was the present government's doing.

Mr. Sevigny: The misgivings thus sown in the hearts of Canadians have succeeded in checking development projects in many industries and the building projects of several contractors. A large number of Canadians were prevented from putting their money in circulation by buying a car, furniture or a house.

We succeeded, in spite of our opponents' efforts to the contrary, in putting our economy back on the high road to new records, but the government is convinced that the expansion could have started earlier and would have achieved more progress if our friends opposite had not spread fear and even dread in the minds of Canadians with such utterances of gloom and doom so often made by the leaders of both opposition parties.

Even more unfortunate is the fact that foreign newspapermen got hold of the speeches made by our hon. friends and have made no bones about saying everywhere that Canada is no longer the country with a future for everyone, but a land of depression with nothing but unemployment, gloom and misery.

And I urge the members of the opposition to read the articles of certain English papers like *The People*, *The Observer*, *News of the World* and others. They will find that far from praising Canada, foreign reporters, inspired by speeches that had been made right here in Canada, almost advise English and European people to stay away from Canada and to keep their investments away from this country.

The consequences of that attitude are already being felt as far as both investments and business are concerned and I, for one, feel sure that Canadians will have to work hard to give Canada back its reputation, which the opposition has unfortunately and perhaps unwillingly succeeded in tarnishing.

It is one thing to yearn after political power, but it is another to try to get it by any means.

I sincerely hope that the day is not too far off when our opponents will finally learn what it is to indulge in petty politics, to place the interests of a party above the better interest of the nation.

Mr. Habel: You have learned it in the past three years.

(Text):

Mr. Sevigny: If the budget has been so well received in financial, business, banking and commercial circles, it is because the experts recognize that in many ways the budget is an attempt to use fiscal and commercial policies for national purposes. A definite effort is being made to arrange the various taxes in a fashion which will be helpful and stimulating to many segments of the economy.

The government has never claimed that it could, by itself, correct all the ills and worries which have afflicted the businessmen of this nation during the last few years. However, the government does accept the view that business climate-making is one of its basic roles. It has become obvious that because of the measures adopted in last year's budget and also in the so-called baby budget of last November, the bottom of the recent slump has been passed and that our nation can look forward to a long period of definite prosperity. The present budget will permit the business indicators in the forthcoming months to mark progress, and there is no doubt that the people of this country will give credit where it is due. That is to the Conservative government, which has given to Canada a budget which will contribute to the expansion of the nation. Even our severest critics will admit that the budget contains a large number of items which will be beneficial to Canada. In answer to the hon. member for Kenora-Rainy River who seems to be so engrossed in his newspaper, I will now name only a few.

Mr. Benidickson: I am listening.

Mr. Sevigny: I cite the encouragement of research in Canada, the extension of the functions and powers of the industrial development bank—

Mr. Benidickson: It was the financial experts I wanted the hon. member to talk about.

Mr. Sevigny: —which will certainly slow down the sell-out of Canadian businesses. The measures affecting the bond markets make sense, and the announced plan for a thorough examination of our financial institutions is timely and a positive necessity.

The positive improvements and the original thinking which is at the basis of this budget indicate the amount of work that went into its preparation. Some will ask how it is that these measures were not adopted previously. The answer lies in simply stating that there is still a great deal to be done, that caution must at all times be exercised in view of the inflexibility of the present situation, and that great thought must be exercised before stepping forward in any manner or form.

There are, we know, some serious problems which confront the Canadian leaders. The question of chronic unemployment is one. The slow moving upsurge of our secondary manufacturing industries, the serious problem of the continuous increase in foreign ownership, and the imbalance in our foreign payments are all problems of deep concern to those interested in the financial and monetary future of Canada. These basic problems exist and are recognized by the government. It will also be recognized by the people that the measures contained in the budget are steps in the right direction and are intended to correct these ills which unfortunately affect this nation.

There has been a great deal of talk concerning the effects of large imports into our country. There is no doubt in my mind that many industries are seriously affected by the determined efforts of our competitors in foreign lands to rival our Canadian products in our own domestic fields and also in other countries where we offer our merchandise. The problems of these affected industries are of deep concern to us, and we are at all times studying all questions which may permit us to help the situation of these affected industries.

However, it is rather obvious that we cannot tolerate the threatened destruction of certain industries by an exaggerated flow of imports. It also must be realized that if we expect to sell our goods in foreign lands, we must also expect to trade with other countries and to give to foreign businessmen a chance to offer their products to the Canadian public. If we build a thick tariff wall around our nation we shall quickly discourage foreign merchants from considering Canada a nation with which they can trade, and we shall isolate ourselves completely from world markets. This, of course, is most undesirable and cannot be contemplated seriously by those who study the economic picture.

The answer to our problem lies instead in an ever increasing flow of exports which will mean increased production by our manufacturers with the resultant additional employment of labour and the inevitable expansion of premises and manufacturing capacity. In order to increase our exports to foreign lands a high pressure and very effective campaign has already been started by the Minister of Trade and Commerce in order to sell Canada, to sell Canadian products, and especially to sell abroad Canadian know-how. This campaign has been started, is progressing and is bringing immediate results.

In order for this campaign to gain steam it was necessary to take a long, hard look at the present price structure of our products in comparison with the prices of similar goods produced in competitive nations. The study made us realize that in many sectors our Canadian products were possibly not overpriced if we looked at the price structure according to domestic patterns, but were certainly offered at prices which were unattractive to foreign buyers. It is just plain common sense to accept the fact that if a buyer considers two products of similar quality he will almost inevitably purchase the article offered at a lower figure; and it is futile to hope that results can be achieved

by those who maintain a rigid price structure and remain inflexible in their bargaining tactics.

At one o'clock the house took recess.

AFTER RECESS

The house resumed at 2.30 p.m.

Mr. Sevigny: Mr. Speaker, at one o'clock I was in the process of explaining the nature of the very strong export drive which had started in Canada, promoted by this government, in order to interest more and more foreign buyers in the quality and the worth of products manufactured in our land. I was mentioning the necessity of being competitive in the pricing of our products, and that it was impossible for Canadian manufacturers to hope to secure orders unless they could offer products of equal quality at prices which were close to those of our competition. I was explaining that the only way we could expect a heavier flow of business was by getting more and more orders from people interested in what we could produce and making these people aware of the fact that our prices were competitive.

It is of course extremely important to bring our prices in line with those offered by our foreign competitors. In this particular field government can help, and the government in fact has done just this in the recent moves which will produce the devaluation of our dollar, which is already quite evident, on world markets. In order to give help to those interested in the export field it is logical to reduce the value of our Canadian dollar. It must be remembered that one of the reasons for Canada's enormous expansion in the immediate post-war years was the fact that our dollar was then below the value of the all-powerful United States currency. There is no doubt that a devalued Canadian dollar will give our merchants an additional incentive which they need to offer Canadian products at competitive prices.

This will mean more sales, more revenue for our manufacturers; and there is no doubt that this additional revenue will be used to expand industries and production facilities. There is also no doubt that since research will be tax free, according to the measures introduced in this budget, a vast program will be undertaken by both our larger and our average industries to improve existing facilities and also in order to find new products which can be produced in Canada and sold in our domestic and foreign markets. This will mean more production and more jobs for our people.

The government is doing its share in this respect, but it must be realized by all Canadian people that government cannot do it all alone. If business is to increase, prosperity will ensue mostly through the combined efforts of all those interested in Canadian trade and Canadian industry. It must be realized that it is a fallacy to expect that this can all be done by the government alone. Charity well ordained begins at home, and those interested in their own welfare must themselves make the individual effort necessary for the prosperity of their business.

There are two things that should be done by private enterprise people in order to increase the amount of business that can be done here in Canada. First of all industry must take a close and very hard look at its price structure and accept the fact that although higher prices may in some cases mean higher revenues, they will also mean a smaller flow of trade. Industry today must try to make its profit more through a large volume of business than through high profits on the individual items.

Industry must also accept the necessity to co-operate with the labour force of Canada. It may be that additional people could be employed if more people worked fewer hours in various factories. Industry must continually be ready to discuss its problems with the labour leaders in a spirit of friendship and co-operation. On the other hand, labour must realize that incessant demands for higher wages or increased benefits can quite easily paralyse the well-ordained plans of industry. Labour must realize that threats which too often result in disastrous strikes are not the answer to the welfare of the individual worker or to the expansion of individual industries. Labour must try to adjust its requests to the capabilities of the employers and only thus, through co-operation between labour and industry, will we achieve the results we seek.

The budget indicates that the resources of the industrial development bank will be increased from the present $160 million to about $400 million. This is a step in the right direction, since it means that a large number of Canadian firms will be permitted to avail themselves of the facilities offered by the industrial development bank. There is no doubt that this is preferable for those who wish to expand to borrow from Canadian sources and pay interest in Canada rather than go to the United States and elsewhere to secure the capital sums required for expansion. The main aim of this extension of the services of the industrial development bank is to help Canadians retain ownership of their companies instead of having to look abroad for new

capital and new investments. This will certainly help all firms which have problems arising from financial consolidations and changes in ownership.

There is no doubt that this question of financing or refinancing private enterprise has presented a very serious problem to the industrialists and manufacturers of this nation. Too many of our people have had to go south of the border or to European countries to try to secure the necessary funds to finance the expansion of their existing business or to build and open up new businesses. Yet there is, here in Canada, a vast source of money, and by affording to our people the chance to borrow this money from the industrial development bank and pay the interest which is normal on such loans we shall make it possible for this money to remain in Canada and work for the better interests of Canadians, thus in the long run enriching the citizens of this country.

There is too little time at my disposal to emphasize the definite gains which will be derived from the new budget by those interested in the automobile industry, the textile industry, the electronics industry and so many other fields of Canadian endeavour. But a study of the budget will permit the realization that this budget has been prepared by men who understand that the expansion of Canada is closely related to the prosperity of our Canadian businessmen. All will benefit from the dynamic measures contained in this expansionist budget, and within a very short time the useful effects of the minister's strategy will be felt in all sectors of our economy. They will be of benefit to Canadian industry, to Canadian business and, in particular, to the labour force and Canadian farm industries.

(Translation):

Before I conclude my remarks, Mr. Speaker, I should like to say a few words in particular to the people of the province of Quebec who take an interest in the economic life of the country. The Minister of Finance's budget presents some most interesting aspects this year. The concern for economic expansion which is apparent in each and every one of the measures which were announced, should please all French Canadians who have, for a long while, been trying to find means of enabling our fellow citizens of the province of Quebec to participate more and more in the economic life of the country.

Mr. Speaker, the people of Quebec have made giant strides in the past 15 years; everywhere in the province, one can see flourishing industries managed by our people and projects which will certainly lead our businessmen to unprecedented achievements. But as I said earlier, this economic development that keeps growing from day to day does not come about of itself. The government alone is unable to ensure the economic welfare of the nation, neither is it possible for businessmen, tradesmen and industrialists of Quebec to expect reaching the required level of prosperity if the federal government does not give them help, if possible. Fortunately, we note that confidence now prevails among businessmen, on the one hand, and government authorities on the other hand, and I am convinced that the businessmen of my province, the financiers, the industrialists, in a word, all those interested in the steady development of our economy, will welcome the Fleming budget as a progressive measure likely to enable the province to forge ahead toward further achievements.

Mr. Speaker, there is no denying that the province of Quebec has undergone tremendous development in the past 15 years, and whatever my hon. friends in the opposition may say, I think a large part of the economic success of our province was due to the man who ran the province during that period. I therefore pay tribute to a great Canadian and a great Quebecker, the Hon. Maurice Duplessis, who did more than his share to enable the French Canadians to develop the potential that existed in the province and to take advantage of all the wealth that was to be found.

Today, steps are being taken to promote economic development in the province. Everywhere we see chambers of commerce and civic action groups at work, trying to improve the conditions of industry and trade in our community and to find means of developing the tremendous natural resources, of which we have barely scratched the surface, in our land.

I am sure the Fleming budget has been hailed with respect by Quebec business people, because they realize it contains provisions that are likely to help the future economic development of the province. It is indeed unfortunate that our opponents, instead of realizing that this budget represents an economic effort that will enable the whole country to go forward, again only repeat the same old songs of depression, poverty, despair, and the same prophecies of gloom and doom for the future. If at least they could occasionally come forward with constructive suggestions that could perhaps enable us to further improve present conditions, we would gladly accept their criticism, but as long as

their remarks remain destructive rather than constructive, I feel that we and every right thinking citizen of Canada should support and thank the Minister of Finance for so ably introducing a truly constructive budget.

(Text):

Mr. Harold E. Winch (Vancouver East): Mr. Speaker, it is not my intention at this stage of the budget debate to be repetitive in any way in respect to the remarks I made when we were discussing the subamendment. However, because of the limitation of time it was not possible for me at that time to comment in respect to one or two aspects of the presentation made by the Minister of Finance in relation to which I desire to speak this afternoon. I personally feel it rather imperative to answer some of the statements which have been made by the cabinet ministers and backbenchers of the Tory party who have spoken in regard to this matter.

In particular I should like to make some comment regarding the speech we have just heard delivered by the Associate Minister of National Defence. I noted that in the last words of his English presentation he made comments in respect to what he called the Fleming strategy. I suggest it would have been far more appropriate for him to refer to it as the Fleming tragedy. If we try to assimilate the speeches of the Minister of Finance, the Minister of Public Works and the Associate Minister of National Defence, we can only arrive at one conclusion; it is conclusively apparent that the Tory government since it took office some four years ago has been slipping and drifting along with no more knowledge of its destination than a blind man on a raft floating somewhere between the coast of British Columbia and the coast of Hawaii.

It is not very often that I become incensed in this house, but the Associate Minister of National Defence made one remark which, if he had said nothing else, should certainly have brought me to my feet. I refer to that despicable statement he made almost at the beginning of his presentation to the effect that both parties in opposition were doing a disservice to Canada and bringing disgrace upon it because they had the temerity and the daring at this session of parliament to rise not once but many times regarding the serious problem of unemployment. I say that is a despicable statement. He may expect Mr. Coyne to shut up and say nothing, but he need not expect those individuals who realize their responsibilities as members of parliament to do the same.

[Mr. Sevigny.]

I have the honour to represent, as I have represented for a great many years, a constituency in Vancouver which is strictly a working class residential area. After representing it as an M.L.A. and M.P. for 28 years I feel I know my responsibilities to the residents, and one of those responsibilities has regard to employment. If they are unemployed I maintain it is my duty to seek an answer to the situation. According to the Associate Minister of National Defence, to do so is to do a disservice as a member of this house to the people of this country.

I should like to draw to his attention and to the attention of all hon. members of this house the situation which exists in my home city. According to the records I find that from March 1, 1960 until March 31, 1961, a period of 12 months, the unemployment insurance office in the city of Vancouver paid out more than $25 million in unemployment insurance benefits. Why has that office had to do that? I suggest the answer lies in the fact that during that 12-month period there were 134,000 applications for unemployment insurance benefits. Let us not forget that although there may have been 134,000 applications and $25 million paid out in unemployment insurance benefits during that 12-month period, that is not the grand total of unemployment, because many thousands of individuals were not entitled during that period to unemployment insurance benefits.

What do the figures show in relation to the Vancouver unemployment insurance office during that time? Those figures show that in January of this year there were 40,651 individuals drawing unemployment insurance benefits from that one office in Vancouver at a cost of over $3½ million. Because this government always likes to refer to the lesser figure, let us consider the best month of that 12-month period, which was July. In July, 20,945 individuals were drawing unemployment insurance benefits from that one Vancouver office at a cost of over $1 million. Taking that 12-month period from March 31, 1960 to March 31, 1961 we find that the average number of unemployed individuals was 5,000 more than during the same period a year before.

The Associate Minister of National Defence has the unmitigated gall to say that because we are representing the people in our constituencies in respect to this matter of unemployment in an attempt to do whatever is possible, we are doing a disservice to this country. Let me suggest that it is not a disgrace to be a responsible member of parliament and to question the government's policy in regard to this situation, but that it is a disgrace on the part of the government,

because it has done nothing about it and has not found a solution to the problem.

I suggest the Associate Minister of National Defence should study basic economics before rising in this house, if he has a desire to intelligently discuss a finance budget. What did he say in this regard? He said, and I quote his words: "Canadians will have to work harder to overcome our disgraceful name overseas."

I think Canadians are prepared to work harder, Mr. Speaker, but we have between 30,000 and 40,000 in the Vancouver area who would love to have the opportunity to work at all, let alone work harder. Produce your policies to produce the jobs. The Associate Minister of National Defence said that really hard work went into the budget. I suppose that is true, but it is too bad that the hard work has not produced more than what we have seen so far.

But even with all that the associate minister said in favour of the budget, what did he also say? I wrote it down as he said it. He said that one of the biggest problems still facing the government is the problem of chronic unemployment. Yes, the minister said that chronic unemployment is still with us, in the same way that R. B. Bennett used to talk about prosperity being just around the corner. The budget does not solve the problem.

The minister also said that we had to be careful about tariffs because tariff walls will isolate us from foreign markets. I agree with him. But what I cannot understand is that a so-called responsible minister should get up, put forward a bunch of rotten window dressing and tell us that increased tariffs will be dangerous and will isolate us, while at the same time completely ignoring the fact that a devalued dollar is the same thing as a tariff increase. A devaluated dollar is a tariff increase because we have to pay for imports in Canadian dollars. Other countries have to export to Canada in order to obtain Canadian dollars, and if we have to pay for those goods with devaluated dollars then for every 1 per cent our dollar goes down in value it is the same as a tariff rise by a similar amount. So why should we have this type of foolishness from one who is supposed to be a responsible minister of the crown?

Why does the government completely ignore the basic facts of economics? I can still hear the eloquence and vehemence of the associate minister when he said that a flow of exports is our goal. We will all agree that a flow of exports should be our goal. We will all agree that everything has to be done to increase our exports. But there the minister stops. We are not going to export for nothing. We have to be paid for our exports in Canadian dollars, and how do these countries get Canadian dollars unless we import?

The Minister of Finance, the Minister of Public Works, the Associate Minister of National Defence, every backbencher completely ignores that side of the balance sheet. Before we are finished with this budget I think it is going to be very interesting so far as the other side of the balance sheet is concerned if we can get an explanation of Conservative economics that will give some indication that the budget is not simply window dressing, not just wishful thinking; that the government, as I said, is not just drifting like a blind man on a raft between British Columbia and Hawaii, that they have thought things through.

There, of course, is where I challenge them. They have not thought things through. They do not know how to think things through. They are just hoping that something will turn up to rescue them from the fiasco brought about by their own complete and absolute ineptitude. If they carry on as they have for the last four years there is only one rescue, war; and God forbid that that should happen, because it would be suicide for the world. I say, sir, that I just want to take some of the statements made by the cabinet ministers who have already spoken.

However, I do not want only to be critical. Let me offer something they have not thought of that may help a bit. The Minister of Finance has brought in a deficit budget. Without doubt there are times when a deficit budget is in the interests of the country to deal with an immediately serious situation. But I think the Minister of Finance in his presentation has been absolutely unfair in bringing forward a deficit budget without national planning. Let it be remembered that the deficit budget of $650 million—and I do not agree with that figure because with the borrowing they are going to have to do it will be over $1 billion—is tied in with the three previous deficit budgets, and the presentation of a further deficit budget is only an immediate solution to get the government off the hook. What they are doing about national planning is saying to our children and our children's children, "You will pay for the incompetence of this government". The deficit has to be repaid, and it has to be repaid with interest. If we know this government, the deficit is not only going to have to be repaid with interest but the interest is going to have to be paid by further borrowings involving more interest. In other words, it is our children and our children's children who are being asked to pay to get this incompetent government off the hook on which it finds

itself through not being able to solve the problems to which they told us they knew all the answers.

I say, sir, this is not fair. I imagine our children will have enough problems without us passing on our problems to them. That is what will happen unless, of course, we have a change to a good government.

As I have said, I recognize that the immediate occasion may call for a deficit budget, but at the same time I believe there should be planning along with it. The associate minister said that a lot of work had gone into the budget, but I say that the work was only half done. I suggest that along with a $650 million deficit budget there should have been a policy statement involving government control of investment capital so the government could at least have some direction as to the type of productive work that would be initiated by that investment. I say there should have been a policy of control of excess depreciation reserves. Let us not fool ourselves. Corporation after corporation in Canada is cheating its stockholders, cheating the corporation and cheating the income tax department because of the way it manipulates its depreciation reserves. There should have been some provision in that regard as an offset to the deficit.

This afternoon the Associate Minister of National Defence said so piously that charity begins at home. That being so, why was there not some policy statement and planning with regard to government control of excess profits so as to do what the minister said we should do, and see that the profit-hungry corporations of this country have a decent sense of responsibility? Members may not want to admit it, but these corporations do not have a decent sense of responsibility so far as profits are concerned. They want more and more and more, and the only time they will ever behave is when they are brought under control. It was necessary to control excess profits in time of war, and I say it is still necessary in the critical period through which Canada is passing at the present time.

Yes, the Associate Minister of National Defence really made quite a remark when he said that industry must limit its profits. I am afraid industry will not do so of its own accord, and that is one reason we must have a national government policy. I have mentioned excess profits and I also mention capital gains. When I think of the many speeches about Texas buccaneers made by hon. members opposite when they sat on this side of the house, I also recall that they have been in office four years and as yet they have not done anything about these buccaneers. What is one of the big reasons why money comes into Canada? It is because the United States has a 25 per cent capital gains tax. Canada, of all the countries in the world, is the happy hunting ground of the financial, monopoly buccaneers of the world. The minister referred to charity beginning at home, and I think it is time that Canada looked at this question of industry limiting its profits.

I could have found a deficit budget far more acceptable if the government had followed through on national planning. I have just given a few indications of what I mean by national planning. Let us go further. I am following along the lines suggested by the Associate Minister of National Defence. During the latter part of his remarks he said that our prices must be competitive. Of course our prices must be competitive if we are going to succeed in the export market. Why then, when the Minister of Finance announced the establishment of a policy to devaluate the Canadian dollar, did he not introduce policies to enable us to remain competitive in the production field?

Of course in my own province the pulp and paper and lumber industries are going to gain some advantage in export markets as a result of the devalued dollar. However, Mr. Speaker, their production costs are going to go up. Why is this? This result will be produced because none of the major machinery required in the pulp and paper and lumber industries is manufactured in Canada. It has to be imported into Canada from the United States. This imported machinery which they must have to maintain production has to be purchased with the devaluated dollar.

Government policy, therefore, is increasing the costs of production of these industries, in spite of the fact that the minister who spoke before me said we have to maintain a competitive level. If the government had thought things through, at the same time they devalued the dollar to aid our exports they would have changed the tariff level on those things which must be imported to maintain our productive capacity. If this had been done we could maintain our present cost of production and not increase it. Both sides of the question have to be considered. This has never been done by the government. They are not facing up to the issues, the practical issues, the financial issues or the economic issues. They are not wearing gold-hued glasses, they are wearing a blindfold. This is dynamite for Canada, to have a government wearing a blindfold.

What I have said with regard to cost of production is also true with regard to the cost of living. The government must have known, if they gave any thought to it at all—surely they have economic advisers who could tell them—that if you devalue the dollar you have

to pay more for your imports. I want to speak now about one thing, and that is the imports into Canada that we do not and cannot produce.

I have spoken about this in relation to manufacturing, but how about the consumers, the forgotten men and women in this budget? Is there anything in this budget to protect them from the devalued dollar as it affects the necessities of life? Has anything been done about coffee, tea, spices, or about the many other things we have to import because it is impossible to grow them or manufacture them here? A government that was thinking across the board, a government that understood economics, a government that had any interest at all in the consumer, when devaluing the dollar would have given some thought to the regulation of the economy so that as the dollar went down in exchange value the tariff would go down correspondingly on those necessities that must be imported so that the standard of living would be maintained. No, sir, we have nothing of that type. Not only does the government not take care of those things that we have to import, but they have not even protected us in relation to those things we grow and manufacture ourselves. Some of these things are already increasing in price.

What I said about the tea, spices, coffee and cocoa is also true of the imported fruits and vegetables which come on the market prior to our own. An announcement has already been made that prices on the Vancouver market for fruits and vegetables are going up this week. My hon. friend laughs. The increase may be half a cent, one cent or two cents, but this means a lot to old age pensioners, blind pensioners, veteran pensioners, in fact to everybody. When it comes to basic economics all these things have been completely ignored.

Why has something not been done directly to encourage Canadian industry? Sometimes I think they do not want to encourage Canadian industry. Let me give one example. I know of a firm that started manufacturing in Vancouver and which now has a manufacturing plant in Ontario, one which is going to mean a great deal in the future. Approximately two thirds of this manufacturer's product is produced in Vancouver or in Clinton, Ontario. About one third has to be imported from the United States. Although this manufacturer has travelled from Vancouver to Halifax he cannot find a plant that can or will produce what is absolutely essential to his product. He has to bring this element in from the United States. He is faced with excise and customs taxes on those items he is forced to import of 27½ per cent plus 10 per cent. Here is a man who is trying to develop a business in Canada and get things going, yet he is faced with customs and excise taxes of 27½ per cent plus 10 per cent on those elements he cannot obtain in Canada.

I say, sir, it is quite obvious that this budget has not been thought through, that this budget is related to only one side of the question and not to both sides of the question. It is a deficit budget, but its implications have not been considered. I do not think that is right. We hope, Mr. Speaker, that part of it which is good will really work, but we are rather afraid, because the whole budget has not been thought through, the repercussions can be serious. The rosy picture painted by the Minister of Finance and others may not be realized because they refuse to see both sides of the picture.

I want to conclude by saying, and all the supporting speeches made on the budget thus far only indicate, that it has been half thought out and that it is half baked. However, there is still time this session to rectify the omissions, and that is the most important thing. I appeal to the government and to the Minister of Finance. The well-being and the welfare of the people of Canada demand that before this parliament closes, prorogues or is dissolved, the government and the Minister of Finance in particular get busy and overcome their four years of irresponsibility and indecision and give some indication at least that they know something about government planning and administration.

Mr. Grant Campbell (Stormont): Mr. Speaker, last week on the public works estimates the hon. member for Laurier neglected the affairs of Laurier and took up the time of this house by making another incursion into Stormont. He is either an incurable busybody or he suffers from an unquiet conscience.

Mr. Martin (Essex East): Will the hon. member permit a question?

Mr. Campbell (Stormont): No. The hon. member can ask questions afterwards.

Mr. Martin (Essex East): It is a very reasonable one.

Mr. Campbell (Stormont): I shall be glad to answer questions afterwards. The hon. member for Laurier put up a smokescreen around all the damage he had done to his home constituency of Stormont by locating the seaway locks on the United States side and then abandoning this constituency like a sinking ship. Now that the present member and the government of which he is a supporter are attempting to rectify some of this damage by erecting a harbour, he is attempting to jump on the band wagon and claim credit for it. The people of Cornwall and the people of

the St. Lawrence valley know that the time to have built a Canadian seaway was when the seaway was being constructed. No 27-foot channel ending in an 80-foot wall is a substitute for a Canadian seaway. The disastrous decline in tonnage on the Cornwall canal is due not to the competition of air lines, buses or trucks, as the hon. member for Laurier alleged, but is due to the fact that the Cornwall canal is now a stagnant backwater which also ends in a blank wall. The traffic now passes through the United States seaway locks.

If the new industrial complex adjacent to the seaway locks was the result of cheap power in New York state, as the hon. member contends, rather than the United States seaway locks, then why on earth did not the hon. member, who did all the seaway dealings for his government, and his provincial Liberal colleague in Ontario not endeavour to protect the interests of this area? Obviously the time to have extracted concessions from Ontario hydro was when the joint project was being constructed, at this time when the Ontario hydro were looking out for all of Ontario by putting the power from this area on the Ontario grid in the same way the power from Niagara Falls serves the whole of the province of Ontario.

I should also like to ask the hon. member for Laurier how much of the $800 million spent on the seaway that he boasts so much about went to Cornwall people, as he alleged, and how much went to Montreal and Toronto contractors. My precedessor also said that the former municipal administration in Cornwall spent $140,000 to expropriate land at Gray's creek at Cornwall for harbour purposes on the recommendation of the C.N.R. economic survey, which he no doubt ordered himself. The overburdened taxpayers of Cornwall will be very much interested indeed in knowing who is responsible for this large and so far useless expenditure, with all the interest that has accrued thereon.

Last year I informed this House of Commons of the assassination of a city by its favourite son and of its betrayal by the former minister of transport.

Mr. Martin (Essex East): No one ever did as much for Cornwall as the hon. member for Laurier.

Mr. Campbell (Stormont): This hon. member tried to justify himself again last week on the estimates. He can twist and squirm till the cows come home, but he will not get off the hook. When I was a boy down on the farm, if a trusted dog killed a chicken we tied it around his neck until it rotted. The hon. member for Laurier today has a chicken tied around his neck called Cornwall seaway city.

Mr. Martin (Essex East): Is it eviscerated?

Mr. Campbell (Stormont): It is eviscerated. The people of Stormont and the people of Laurier see it every time they look at him. He is a desolate man. By night he is haunted by the ghosts of two stillborn infants called the Canadian seaway locks. By day he is pursued by two illegitimate children born of a United States mother and called the Eisenhower and Snell locks. There are persistent rumours in northern New York state that the people of Massena, the village across the river from Cornwall, are going to erect a suitable monument to the father of the Snell and Eisenhower locks. They say that that mausoleum in Cornwall, that consolation prize for Cornwall—I refer to the St. Lawrence seaway headquarters building which he erected as a monument to himself—is not appreciated there. It is located in the wrong country.

I did not intend to go into the matter of the budget, but I cannot allow this opportunity to go by without saying a few words on unemployment insurance and the budget. I firmly believe that this latest budget will do very much to hasten the economic recovery which is evident not only in Canada but in the United States. However, it is quite possible that with the increased automation we have throughout North America and indeed throughout the world we shall still have a large measure of structural unemployment even during periods of economic booms and expansion. If so, I should like to make a few suggestions regarding unemployment insurance and such matters for the consideration of the government.

My first suggestion is this. I believe it is desirable that the age of retirement be lowered to 60 years and that we spend more money on contributory old age pensions and less on unemployment insurance. It is desirable that older men enjoy the evening of their years in comfort and leisure so that men in the prime of life can have the jobs that will provide for their families and enable them to retain their self-respect.

I now proceed to my second suggestion. British Columbia fishermen have been known on occasion to make as much as $8,000 to $10,000 in several months if they get an exceptionally good catch. Loggers sometimes make the same amount during a cutting season of five to six months. Women who happen to be married to prosperous businessmen or professional men often quit work after a few months owing to pregnancies or for other reasons. In each of these three

cases, and no doubt in other similar instances, these people draw unemployment insurance for the remainder of the year. When the breadwinner of a family has a total annual income exceeding a certain ceiling—and that ceiling, of course, can vary with the number of children or other dependents—I believe that he or his spouse should not be eligible for unemployment insurance for the remainder of that year. If the regulations were changed in this respect it would not only reduce government expenditures but would be conducive to thrift, self-reliance and independence in our people.

My third and final suggestion with regard to unemployment is more far-reaching. I believe there should be a fluctuating scale of unemployment insurance payments varying with the degree of unemployment in the country. When unemployment is high the payments could be almost as high as the average person's income over the past three to five years. These high unemployment insurance payments would maintain consumer purchasing power at a high level, thus encouraging production in the country and increasing the number of jobs. When prosperity returns; when unemployment drops and jobs are plentiful, then the unemployment insurance payments could be reduced to a mere subsistence level. When unemployment is high, if some loafers do not want jobs it does not matter very much anyway because there are no jobs available; but when jobs are plentiful the low payments would induce them to go out and find one.

I realize that these suggestions will require very careful study and I think they would be difficult and complicated to administer. But if we can invent atomic bombs, it should not be beyond the wit of man to devise practical means of providing economic security in such a rich country as Canada. These suggestions with regard to unemployment insurance have the great merit, in my opinion, of fitting into our present economic system with a minimum of dislocation and without resorting to a socialistic planned economy.

I cannot resist a few comments on the budget and on the crisis in the Bank of Canada. First let me commend the Minister of Finance (Mr. Fleming) for resisting the urgent demand of the governor of the bank that he raise income taxes. Let me commend the minister on the aid his budget has given to the hard pressed textile and automobile industries. Let me further commend the minister on increasing the scope and resources of the industrial development bank. More than one motel in Stormont that I know of will be saved from bankruptcy if they take advantage of these provisions.

Let me especially commend the minister on reducing the exchange value of our dollar, which is the equivalent of a 5 per cent general increase in tariffs, to protect secondary industry at home and a 5 per cent general reduction in costs to assist our primary industries to sell abroad. Nothing could possibly do more at this time to stimulate our economy than this measure. Mr. Coyne's proposal, for a 10 per cent surcharge on tariffs, may be desirable but, like most of his suggestions, it is academic and entirely impractical because of our international treaty obligations, many of which were incurred by our predecessors.

Let me further commend the minister on his responsibility and restraint under extreme provocation in trying to work out some peaceable basis of co-existence with Mr. Coyne until his term of office expires at the end of this year. The minister did all that was humanly possible to avoid bringing the Bank of Canada into disrepute, but the governor's exhibitionist antics in calling an unprecedented press conference, in releasing his own budget statements and in exposing numerous confidential letters caused this whole unseemly explosion. Let me finally comment the minister on his refusal to bring this matter before a committee of the House of Commons, which would produce the kind of circus that would cause a crisis in confidence in the economy of this country throughout the world.

May I say also to the minister that if I were minister of finance Mr. Coyne would long ago have been fired as he deserved, and he would have been exposed to the ridicule of a parliamentary committee as he requests. That is probably one of the reasons why I am not minister of finance. May I say, further, that he would probably be in jail for misappropriation approaching larceny in using the facilities of the Bank of Canada to promote his private purposes; or if not on that indictment, for a breach of confidence approaching perjury in broadcasting the internal affairs of the bank in defiance of his oath of office.

In this whole unsavoury matter we must not lose sight of the fundamental issue involved. This fundamental issue is very, very simple indeed. It is this: who is running the country? Is it parliament and the people, or the bankers and the bureaucrats? The last time any parliament set up under the British system was challenged to this extent by any one man who was not representing the people was in 1611—and King Charles lost his head. If the Liberals had any conception at all of how our constitution works they would not be defending Mr. Coyne; they would be impeaching him, for he has usurped the functions of the Leader of the Opposition (Mr.

Pearson) whose prime duty it is to criticize the government. There is an old proverb, Mr. Speaker: Whom the gods would destroy they first make mad.

I have here a fantastic letter, a letter such as never before in this country has passed between a public servant and a people's government. It is the latest scandal sheet put out by Mr. Coyne. The instigator of this scurrilous letter could only be the same pathological man whose conduct we witnessed in the House of Commons last night. May I ask the hon. member for Bonavista-Twillingate (Mr. Pickersgill)—I see he is not here, but I shall ask him at the earliest opportunity; no doubt my words will be conveyed to him and I would like an answer—whether he also supports Mr. Coyne in his bid to take over the leadership of the Liberal party; or does the hon. member prefer Mr. Charles Templeton, the apostate evangelist and C.B.C. actor? Which is his choice?

It is a pitiful sight, Mr. Speaker, to see gentlemen who were once honourable behaving like carrion, snapping at the dry bones of the leadership of a once great party. Even the younger and the more virile elements in this party, or what is left of it, have such a death wish that they hope to submerge themselves in the arms of the socialists. I need not waste much time on the antics of Mr. Coyne, which are known to all hon. members only too well. He went up and down this country preaching austerity and yet he voted himself, in the most clandestine manner, a pension for life of $25,000 annually after only six years of service.

Let me say further that that very great gentleman for whom I have always had the utmost respect, Rt. Hon. Louis St. Laurent, after 17 years of outstanding service in this house, during each of which he contributed toward his pension, now receives $3,000 per year less about $660 for old age pension. This is a standard of comparison. Mr. Coyne went about preaching; he pleaded with us; he pleaded with the government, with the country and with the ordinary housewife to reduce our imports, and yet he ordered custom-made cars from Kalamazoo, Michigan, for himself and his staff to ride around in. Then he criticized this government in a most political and partisan way, but when he was called before a Senate committee largely made up of his own political sympathizers, what had he to say? He had no cure; he had no panacea; he had not even a constructive suggestion to offer about the economy—

Mr. Martin (Essex East): He was muzzled by the Minister of Finance, that is why.

Mr. Fleming (Eglinton): That is a false statement.

[Mr. Campbell (Stormont).]

Mr. Campbell (Stormont): May I say, Mr. Speaker, that there has been more confusion and more controversy among this government and its predecessor and the Bank of Canada in the last six years than there was in the previous 20 years under Mr. Graham Towers, who incidentally was appointed by Mr. R. B. Bennett. Mr. Graham Towers served his country in this position with distinction and competence. There is another basis of comparison.

Leading professors of economics in our Canadian universities, Mr. McLaughlin of the Royal Bank and most of our leading bankers, our union leaders and most responsible people in this country insist and indeed demand that this governor must go. Even the société générale de Belgique and other leading foreign financial houses in their bulletins distributed to their customers and clients throughout the world insist that confidence in the Canadian economy will be restored only with his passing. Yet we see in this house the members of the official opposition being his most valiant supporters.

May I say in closing that the Minister of Finance has the best possible precedent for his present action. Christ chased the money lenders from the temple when they became too arrogant. The Minister of Finance is, as it were, chasing them from the government in asking for the resignation of Mr. Coyne, who threatens the existence of the government by his arrogance.

(Translation):

Mr. Adrien Meunier (Papineau): Mr. Speaker, last Tuesday night, June 20, the whole country which had been waiting for a long time for its health report, heard the Minister of Finance (Mr. Fleming) put forward in a very long and rather confused speech what he intended to do for the 1961-62 fiscal year.

The main theme of his speech, that night, was that he was introducing a budget of economic expansion and that, to this end, he intended to give Canada fiscal, financial and trade policies calculated to create more jobs, stimulate production, in a word, to improve the general state of our national economy.

Since this administration took over the Minister of Finance introduced four budgets and in every one of them, he gave indications of optimism and hope about Canada's economic situation.

In 1958, with a deficit, the Minister of Finance said he had inherited from the Liberals a bad economic and commercial situa-

tion, and especially unemployment, and that it was imperative to make adjustments in the then forthcoming year.

In 1959, with a deficit of $609 million, the minister admitted that there had been a recession, adding that our economy was recovering, and he predicted results and a marked reduction of the number of unemployed.

In 1960, after forecasting a surplus of $12 million and offering optimistic indications about the country's economy and the revenues that would accrue to the government, the minister expressed the idea that it was time we came back to a policy of balanced budgets. Of course the minister's aim was poor, since the forecast of a $12 million surplus was changed in fact to a deficit of $345 million.

With regard to his desire to have a balanced budget, this is what the Minister of Finance said last year, as reported on page 2681 of *Hansard*:

> —and in my budget speech a year ago I recommended to this house policies which were designed to bring us back to a position of budgetary balance as soon as the economy had recovered the losses of the recession and was moving firmly forward and upward to new record achievements in production, employment and investment.
>
> The position we have now reached, with its sound prospect of a fully balanced budget, represents the fruits of carefully designed policies carried forward over the past 18 months. This is not something that has just happened. It is the result of considered aims and efforts.

As can be seen, Mr. Speaker, the minister was quite sure of himself, but "the result of considered aims and efforts" was not very good since the whole thing turned into a deficit.

Each time he presents a budget, the Minister of Finance announces that the economy is recovering and that the situation is again flourishing but, when he tables his next budget, he never admits that he was mistaken; he merely says that things are seen under a different light.

In the present budget, the minister tells us that the steps he advocates, such as the free devaluation of the dollar and the reduction of the interest rates, will not create inflation.

However, he does not give any reason to justify that statement. The devaluation of the dollar will mean more money for the tradesman, the businessman and the industrialist, but what about the small wage-earner and the labourer?

When I studied political science, I learned that the devaluation of a country's currency means a premium on exports. There can be no mistake but that our exports will increase, that tradesmen, businessmen will make more money, but will those surpluses result in a lower salary for workers and labourers? We do not know. But on the other hand, it is obvious that the price of our imports will climb and without listing them all, I have in mind certain essential commodities such as tea, coffee, sugar, cocoa and other products of which our families are in constant need. Who is going to pay, when the price of those commodities goes up? It will be the low-income people, the wage earners, the labourers, and if those people's incomes do not increase they will be faced with a rise in the cost of living which they will not be able to bear.

On that point, I should like to quote the statement of Mr. Donald MacDonald, secretary-treasurer of the Labour Congress, as reported in *La Presse*, last June 22.

> The federal budget contains no improvement in the field of social security, no true relief for the small taxpayer, nothing which is likely to increase substantially the consumer's purchasing power.

I regret that the minister did not give us his views on that point, and although I could ask him several questions on that matter, I will merely ask him one.

If the government must borrow money to finance its budget deficit, what will happen to the loans that municipalities, provinces or big business will have to raise abroad?

What will be the loss resulting from the exchange rate for the provinces and the municipalities which have already borrowed money abroad?

Has the government provided anything to allow public bodies to borrow more easily to finance their debt or undertake large scale projects in order to reduce unemployment?

The minister told us that his expansionist budget would create more jobs, would stimulate industry and increase production. Those words are delightful to hear, but I would have liked to know from the minister to what extent that expansion will go and how many jobs that new policy will create.

The minister is asking the provinces and the municipalities to raise a large part of their loans in Canada. I do not question the minister's good intention because it is a very desirable objective. But, if the government drains the market to finance its loans, what will be left to the provinces and the municipalities? They will be forced to go on foreign markets and to repay their matured loans with devaluated dollars. It means that they will find themselves paying millions of dollars that they did not expect to pay.

How will all that balance? We know nothing about that, because the minister provided no

explanation. It would have been interesting to have his views on that point, in which case he would have not only enlightened the people on the matter but also made the borrowers aware of the effects of this measure.

I mentioned a few minutes ago that the Minister of Finance had stated that all those policies he was advocating would create jobs, but that he did not give us any idea of the number of jobs which would result for the Canadian people.

There constantly exist in Canada, Mr. Speaker, certain vague conditions which cannot escape being noticed by everyone, a chronic and gnawing disease to which the government does not seem to pay too much attention: unemployment.

I appreciate that since the beginning of the present session, the government has enacted legislation conceived to relieve unemployment. I am aware of such things as the productivity council, assistance to technical and vocational schools, financial assistance to small enterprise, double depreciation and amendments to the National Housing Act. It is true, Mr. Speaker, that all those measures are going to help create jobs and reduce unemployment.

But I do not agree that housing is going to remedy unemployment, because it has been found that Montreal, the metropolis of Canada, is also the city with the most houses to let. When the government got elected in 1957, it invested heavily in building. On the other hand, I recall that in 1957, the Hon. C. D. Howe, addressing the lumber dealers association, said that house building had to keep a steady pace because activity in the building trade is a sign of prosperity.

What happened is that we invested heavily in building and as a result, the price of the building lots went up. Houses are nowadays selling at prohibitive prices. And with the land selling at prohibitive prices, some builders have gone out of business.

I heard on television that in the city of Montreal, building had increased 4.6 per cent last year. That is no stimulus and no way of creating many jobs.

It is in the field of one-family units that the situation is most disastrous. A house is sold to a buyer who is asked a ridiculously low down payment. Enthused, he wants to have his own home. He goes visiting housing developments. He is told that he will have to pay only so much a month. But what happens is that when the municipality starts putting in sewers, waterworks and other services, the assessments increase and the amount the buyer expected to pay annually is changed. In addition, those who buy one-family houses in suburban Montreal have to buy a car for transportation, and after two or three years, which is not so surprising, the buyer cannot fulfil his obligations any more and has only one alternative, to give the house back to C.M.H.C.

I do not think that housing creates so many jobs and that it is the solution to the unemployment problem. Proof of that is in the still sizeable number of our unemployed.

I have here an article of *La Presse* of June 24 last, written following an interview with Mr. Charles Renaud, director of the department of social welfare of the city of Montreal. I quote:

> 2,740 needy unemployed in Montreal.

And the article goes on:

> In the month of May, 5.8 per cent of the 46,500 unemployed in Montreal were in dire need.

The 2,740 unemployed in question were no longer entitled to unemployment insurance benefits. Their unemployment insurance benefits were exhausted, and they had to rely on the social welfare service of the municipality for their subsistence. Naturally, they came under unemployment assistance and had to satisfy themselves with what they were given for their subsistence. Those people have no jobs at all. When are they going to work? God knows.

Before concluding my remarks, Mr. Speaker, I should like to reply to certain statements made by the Associate Minister of National Defence (Mr. Sevigny). After having praised the Minister of Finance (Mr. Fleming), he told us that his budget would be beneficial to Canadians. He made a digression to say that the people of Quebec who are interested in Canada's economic life will find something beneficial in this budget. I do not agree with the Associate Minister of National Defence on that point and I suggest to him that, quite to the contrary, all Quebeckers are interested in Canada's economic life, as are all other Canadians.

He told us of the climate of confidence that prevails in the relations between the government and the businessmen in our community. Of course since June 22, 1960, there is a climate of confidence in the province of Quebec between the government and the Quebec businessmen.

But the Associate Minister of National Defence wanted to go back 15 years and

promote again the idea of erecting a monument to Mr. Duplessis, a matter of which we do not hear any more in Quebec. He wanted to tell us that Mr. Duplessis always sought, during the 15 years of his administration in the province of Quebec, to draw all the advantages he could out of his relations with Ottawa, to the benefit of the people of Quebec.

Well, I must tell the Associate Minister of National Defence that he is badly mistaken. For 15 years, Mr. Duplessis, for political expediency purposes, always criticized the Ottawa government, always tried to debase the authority of the government in Ottawa and to have the population of Quebec believe that Ottawa was not our country's capital, out that of a foreign country.

Now, if Mr. Duplessis has always taken advantage of federal legislation, as the Associate Minister of National Defence claims, I will say for his information that, because of Mr. Duplessis' stubbornness the province of Quebec lost in 15 years close to $1 billion, and here is how. In never wanting to participate in joint plans for forest protection; in never wanting to participate in joint plans for the construction of the trans-Canada highway; in refusing to co-operate in fiscal matters from 1944 to 1956; in refusing to accept grants for vocational schools.

Mr. Duplessis, logical in his autonomy, refused at that time to accept the federal government's money for vocational schools. During all the time Mr. Duplessis was at the head of the province of Quebec, I repeat for the Associate Minister of National Defence, the province lost $1 billion. If Quebec had that money today, perhaps there would not be so much unemployment in the province, and Quebeckers might be happier.

The Associate Minister of National Defence said, on two different occasions, that the opposition was singing dirges of gloom and doom and was voicing nothing but destructive criticism. I would say to the Associate Minister of National Defence that if he was unable to be in the house, he should at least have read the official report of debates to be better informed.

Last year, the house discussed the estimates of the Minister of Labour (Mr. Starr) for 12 days. At that time the hon. member for Essex East (Mr. Martin) and the hon. member for Laurier (Mr. Chevrier) submitted to the Minister of Labour their proposals for an over-all plan to reduce unemployment. The hon. member for Laurier mentioned then that in 1945, when this country was in a transition period from war to peace, and our soldiers were coming back from overseas, an economic emergency had to be faced, and added that the Hon. C. D. Howe, then the minister of reconstruction, had tabled a white book in which he planned for the reconstruction of the country by means of an eight point over-all program to help our economy, which was to be carried out over a period of 15 years.

Now, again last year, as I was saying a few moments ago, hon. members for Laurier and Essex East submitted some constructive suggestions, and the government did not follow up any of those suggestions which formed an over-all plan to help remedy unemployment; nothing was done. Therefore, it ill becomes the Associate Minister of National Defence to say today that the opposition not only is singing dirges of doom and gloom, but fails to make any constructive criticism.

Mr. Speaker, the budget submitted by the Minister of Finance is a mess of high-sounding words. The Associate Minister of National Defence asked us to put our trust in this budget. He sees in it the corner stone of a remarkable development and maintains that thanks to the measures that are provided in it we will at least have a climate favourable to employment. Mr. Speaker, I want to stress that we must always take the budget of the Minister of Finance with a grain of salt. It is the fourth one which he has submitted, and, each year, he describes the situation as encouraging, saying that it is far from alarming, and the following year, as conditions have not improved, he still finds comforting words for describing it. But nothing happens.

Now, Mr. Speaker, I submit that we are right in not trusting the Minister of Finance, because this fourth budget submitted to us proves worse than the previous ones.

Mr. Pigeon: Mr. Speaker, may I ask a question of the hon. member?

Mr. Meunier: Certainly.

Mr. Pigeon: Does the hon. member prefer Mr. Coyne to the Minister of Finance?

Mr. Meunier: Listen, I do not know whether Mr. Coyne worked on the other budgets, I do not know whether he worked on this one. It is quite probable that Mr. Coyne had nothing to do with drafting this budget,

but the Minister of Finance has never indicated that Mr. Coyne had helped him in any way with the preparation of previous budgets. I therefore cannot answer the hon. member's question, because it is baseless.

(Text):

Mr. G. D. Clancy (Yorkton): Mr. Speaker, I should like to join with other members of the house in congratulating the Minister of Finance (Mr. Fleming) on his budget which will be welcomed by Canada, a budget designed to increase employment and expand the economy. The pleasing aspect of the budget is the fact that there is no increase in taxes, a fact that points up the faith, and justified faith, that the government has in the Canadian people and the Canadian economy.

The retention of the tariff on turkeys and the new five to ten cents per pound tariff on dressed chickens will be of great aid to our farmers. Tariff adjustments will be welcomed by the textile industry, although apparently the minister did not go far enough for the hon. member for Drummond-Arthabaska (Mr. Boulanger). He advocates the imposition of dumping duties on textiles. The hon. member for Essex East (Mr. Martin) would like to impose higher tariffs on automobiles and parts entering Canada. Hon. members of the Liberal party have been advocating the adoption of the proposals of the governor of the Bank of Canada, increased taxes, increased tariffs and trade restrictions. How do they reconcile their present attitude with previous public statements? The views on tariffs of the member for Essex East, the spokesman for the party, seem to vary daily. People are rapidly reaching the conclusion that this is due to a complete lack of Liberal policy, cynical application of the divide and rule theory and political expediency of the moment.

The position of the third party was expressed by the hon. member for Burnaby-Coquitlam (Mr. Regier). I assume he was speaking for his party when he stated in the house that he did not believe in tariffs. He preferred quotas and currency restrictions, the most vicious form of protectionism ever designed. The present government, in contrast with the opposition groups, is fully aware that Canadian prosperity depends on world trade, that high tariffs and restrictions have no place in our economy. The government policy is one of moderation designed to ensure a fair balance between all segments of the economy. The reduction of the sales tax on various items is welcome. The automobile industry will benefit and the consumer will benefit.

The municipalities have been requesting direct aid from the federal government. I do not know whether this is possible under our system of government, but the addition of further items to the long list of sales tax exempt materials required by municipalities, payment of 50 per cent of the labour costs on municipal projects under the winter works program, credit for the inception and extension of which must be given to this government, increased hospital construction grants and the new grants for equipping and building technical schools have been of great assistance to the municipalities and the taxpayers.

All branches of the pharmaceutical profession have recently been receiving a great deal of publicity with respect to the high cost of pharmaceuticals and pharmaceutical preparations. The critics were not well enough nor fully enough informed to justify their sweeping generalizations. It is for this reason that the profession welcomes the public inquiry to be conducted under the Combines Investigation Act. If the investigation should show that any segment of the profession is conspiring to maintain prices at an unwarranted level, I am sure the profession itself will take steps to remedy the situation.

The cost of medicine to the sick could be reduced by the removal of the sales tax on those ingredients used in medicinal preparations. I confess to extreme disappointment that this step was not taken in the present budget. I urge the Minister of Finance to give this suggestion careful consideration. If it would not be practical to remove the sales tax on the whole range of medicinal products, consideration might be given to removing the tax on those drugs and preparations contained in the schedules of the Food and Drugs Act and the provincial pharmacy acts, that is, for drugs and preparations that can be supplied to a customer only on the signed authorization of a doctor.

The pharmaceutical profession in all its phases is vitally concerned with the physical welfare of Canadians. There was deep disappointment throughout the profession when it was not given representation on the royal commission on health. It is felt by this group so closely associated with the health problems of Canadians that the inclusion of one of their members on the royal commission would have made a substantial contribution to the findings of the commission. I would ask the government to consider including a member of the pharmaceutical profession on the commission.

I listened with great interest to the hon. member for Niagara Falls (Miss LaMarsh). Perhaps my interest was due to the personal charm of the member and the ease of

delivery. Certainly I could not maintain my interest in the hon. member's speech when reading *Hansard*. The whole speech was particularly sterile. The hon. member intoned with pathos: We have drought in the west which is deepening; we have insects in the west, and so on. These were words that would lead her listeners to think that she really believed that drought, grasshoppers and cutworms were the visitation of a higher power to punish the prairie people for daring to vote anything but Liberal. Bathos!

The members from the prairie provinces know that there is drought in certain areas; grasshoppers, cutworms and a late June frost hit others. The obvious relish with which the Liberal speakers catalogue these disasters leaves a sour taste in our mouths. We are too familiar with the hardship and frustration suffered by our farmers in affected areas. The members of this government are more concerned with devising ways to relieve the hardships caused by the ravages of nature. The Prime Minister (Mr. Diefenbaker) announced this morning that emergency measures are now in effect to meet the situation. The Liberal leader could only suggest that the house go into committee of supply to debate crop conditions. That is all they have ever done for the western farmer—talk.

The hon. member for Niagara Falls went on to say: "Many members of this house were children as I was", referring to the 1930-39 period. In discussing the events of the period, the hon. member apparently suffered a lapse of memory. Since I am slightly more mature, my recollection of the period will not be so childish. I believe, if my memory is correct, that a Liberal government came into power in 1935. That year was not a profitable year on the prairies; we had drought, grasshoppers, Russian thistle and extremely low prices. The following year, 1936, saw a continuation of these conditions. The year 1937 saw what was, probably, the most complete crop failure in the history of the prairies. The years 1938 and 1939 showed little, if any, improvement. I would not insinuate that the prime minister of that day was responsible for the vicissitudes of nature, but what were the members of that Liberal government doing, other than sitting on the benches wringing their hands with the attitude, the Almighty will look after us and we will collect taxes where we can? I repeat, what were the Liberal government doing in the face of business stagnation, rampant poverty and unemployment? They did nothing, yes, absolutely nothing, to their everlasting discredit and shame.

The year 1939 marked the outbreak of the war. Checking back on the statistics for that year provides interesting reading. In spite of the large number of Canadians who hastened to enlist, unemployment was very high, business was unsettled. The war years, ah yes, that was the period. Controls were slapped on the economy. It was a wonderful world for those forming the government. There were no decisions to make because world events had taken that need out of their hands. There was nothing to do but administer. Those superbureaucrats proceeded to foster and promote the growth of the biggest bureaucracy in the history of the nation.

Canadian farm income, in spite of worldwide shortages, showed only moderate gains in the post-war years. Obviously, there had been no effort to put the economy on a peacetime footing. The Korean war gave a boost to the economy. Farm income rose rapidly until 1951, and levelled off in 1952. The nations of the world were stockpiling for an emergency. From 1952 to 1954, farm income fell rapidly to the 1946 level; a slight increase in 1955 and 1956 was followed by a sharp decline until June 1957. After eleven years, two wars and the death of half a million Canadians, the country was back where it started. Farm income was reduced to nearly the 1946 level, with a rising cost of living, unsettled business conditions and rising unemployment. Indeed, this is a remarkable record.

When the present government took over, steps were taken to strengthen and improve the economic position of our farmers. The improvement has been steady, but perhaps not as rapid as hoped because we were too optimistic in expecting to clean up, in 22 months, the mess left on our doorstep by 22 years of mismanagement and incompetence of a Liberal government.

This government has replaced indifference with positive legislation and action. In the first three years under this government, Canadian agriculture producers have received $499 million from the federal government, an increase of 111 per cent, compared with the last three year period under the previous administration. The 1959-60 payment of $190.9 million was 112 per cent more than the largest payment made in any year by a Liberal administration.

This government paid 50 per cent of the unharvested grain assistance; 50 per cent of the cost of moving equipment and fodder into, and livestock out of, drought areas; instituted cash advances on grain; introduced and put into effect the Farm Credit Act, increasing the maximum amount and repayment period of loans; widened the scope of farm credit and pegged the interest rate for these loans at 5 per cent; introduced Canada's first Crop Insurance Act, under which the government will pay 50 per cent of the

administration, 20 per cent of the premium and will loan provinces 75 per cent of the amounts required to meet indemnity requirements; paid out $82.6 million in acreage payments; increased the compensation for cattle slaughtered in the control of tuberculosis and brucellosis; undertook to pay 75 per cent of the cost of the South Saskatchewan dam.

The water level of the Saskatchewan and Qu'Appelle valleys will be controlled so that use may be made of waters which were for many years wasted. This government also raised the maximum amount of farm improvement loans from $5,000 to $7,500 and eliminated the double security clause on loans over $2,000; 15 per cent more farmers now benefit under the Prairie Farm Assistance Act as a result of the Conservative government's amendments. The Agricultural Rehabilitation and Development Act has been passed. The Conservative government's program under this act will operate in three ways to rehabilitate and develop Canadian agriculture. It will provide for the development of alternative uses for marginal agricultural land; assist local groups in developing new income opportunities; provide projects for soil and water conservation. So that western grain producers will not have to pay storage charges on wheat stocks in excess of the normal carryover, the Conservative government paid storage charges amounting to $39.8 million in 1958, $43.6 million in 1959 and $51.7 million in 1960. Wheat exports have risen substantially due to an aggressive selling campaign and Canada's increased contributions of wheat and flour to the Colombo plan.

These are a few and by no means all the steps taken to help Canadian agriculture. The Agricultural Stabilization Act is a new approach to the problem of stabilizing farm prices. The act is basically sound. Minor adjustments have been necessary. Snags were bound to develop that only experience in the application of the act could reveal. There are adjustments that are still necessary. I speak now of the operation of the act with respect to hogs and eggs. Under the present regulations the prairie farmers are not receiving full benefit of the act with respect to hogs and eggs. I am not satisfied that the present regulations are fair to the farmers in my area. The farmers are not satisfied.

Let us look at the hog situation. The prescribed price is $23.65 per hundredweight Toronto, on a quota of 100 hogs per producer. A deficiency payment is made when the national weighted average price is below $23.65. The present transportation differential between Regina and Toronto cannot be justified and the differential should be narrowed.

It is possible to have a situation develop where there is no deficiency payment by using the national weighted average, and yet, the prairie producer will have received a price for his hogs below the prescribed price.

The situation with respect to eggs is more extreme. The prescribed price is 33 cents per dozen Toronto-Montreal for Grade A-XL and Grade A-L with a quota of 1,000 dozen per producer per quarter. The transportation differential between Regina and Toronto is not warranted. The use of the national weighted average price is not fair to the producers in Alberta, Saskatchewan and Manitoba. Let us take an example. The cumulative national weighted average price to producers for Grade A-XL and A-L was 31 cents per dozen on June 10 this year. If there were to be a deficiency payment for this period, it would be two cents per dozen. The weighted average price per dozen during this period for the three prairie provinces is 23.9 cents; British Columbia, 33.2 cents; central Canada, 33.05 cents; the maritimes, 33.4 cents, and Newfoundland, 47.9 cents. The prairie producer would receive 25.9 cents as a final payment, the other areas would receive from 35.05 to 49.9 cents per dozen. The inequality between the prairie region and the other areas in Canada is obvious.

I urge the Minister of Agriculture (Mr. Hamilton) to give serious and immediate consideration to equalizing with the rest of Canada the returns received by producers in the prairie provinces. I would suggest that deficiency payments on eggs be made quarterly. The producer can receive a deficiency payment only on a maximum of 1,000 dozen per quarter. In other words, if he markets 800 dozen in the first quarter, 700 dozen in the second quarter, 3,000 dozen in the third quarter and 3,000 dozen in the fourth quarter, he can receive a deficiency payment on only 3,500 dozen, although he exceeded the 4,000 dozen maximum for the year.

I suggest that the calculation for deficiency payments should be based on a regional weighted average price for British Columbia, the three prairie provinces, central Canada, the maritimes and Newfoundland. This method would be fair to producers across Canada and would place the prairie farmer on a more nearly equal footing. The stabilization board and the advisory committee recommend that the present system be continued for the balance of the year. I do not agree. Mr. Speaker, I repeat that I believe this is a matter of urgency which should receive immediate and careful consideration by the Minister of Agriculture and the government.

(Translation):

Mr. Rodolphe Leduc (Gatineau): Mr. Speaker, on June 20 last, the Minister of Finance (Mr. Fleming) introduced his budget for the fiscal year 1961-62. The people have proved that they had been anxiously awaiting the budget speech, because on that occasion, the galleries of the house were filled to capacity, and most hon. members were in their places.

I also noted a striking difference between the situation prevailing in this house in 1957, and the situation on June 20 last. In 1957, the present Minister of Finance brought down his first budget, and on that occasion, every hon. member on the government side including the Minister of Finance had a nice smile and wore a blue tinted white carnation in his lapel. This year, no one wore a blue tinted white carnation, no one had a flower in his lapel, and at the end of the minister's speech, you could see on the faces of Conservative members an expression of disappointment and discontent. Needless to say, cabinet members did not display the broad smile they had in 1957.

The budget speech of last week was the longest in all the history of Canada, but that is not its main feature. The Minister of Finance has forecast the highest deficit ever recorded by a peacetime government. But this deficit budget does not surprise the Canadian people, because ever since the Conservative government took office, we have only had deficit budgets. In 1958, Canada had a deficit of $38,500,000; the deficit reached $609,500,000, in 1959, $413 million in 1960, and $300 million in 1961. For the year 1962, the minister tells us that the deficit will range from $650 to $700 million, which makes up a total deficit of more than $2 billion for the four years in office of the present government.

Mr. Speaker, there is in my province and in the country a common saying to the effect that when the Conservatives are in office, we have deficits, tax increases, unemployment, tight money, high interest rates, numerous bankruptcies, a higher cost of living, in short, drudgery and hardship for a great many Canadian citizens.

Mr. Fleming (Eglinton): That is a misrepresentation.

Mr. Leduc: I beg your pardon?

Mr. Fleming (Eglinton): I say that it is a misrepresentation.

Mr. Leduc: You say it is wrong?

Mr. Fleming (Eglinton): Yes.

Mr. Leduc: It is a realistic interpretation. If you can deny it, do so. If you are realistic, you will agree with me.

An hon. Member: The industrialists of this country do not say the same thing in their comments.

Mr. Leduc: Mr. Speaker, it is often said that history repeats itself. We are witnessing today a recurrence of history in this country. Many of us lived through the years 1930 to 1935 under a Conservative administration. And what is the difference between the situation which existed in this country between 1930 and 1935 and that existing today?

An hon. Member: It is even worse.

Mr. Leduc: I agree that there is a difference, and it is because from 1935 to 1957 the country was run by a Liberal administration which prepared everything and provided for a Conservative administration.

When the Liberals were in power, they took action to remedy unemployment. In 1941, they put in the statute books the Unemployment Insurance Act and, from 1941 to 1957, the unemployment insurance fund reached over $900 million. Since the Conservatives took over, in 1957, the fund has dropped from $900 million to less than $100 million.

Not only did the Liberal party give the country the Unemployment Insurance Act, but they adopted a series of social security measures. There was the Family Allowances Act, a piece of legislation which was not quite welcomed by certain Conservatives when it was introduced in this house. Among all the electoral promises of the Conservative party, I have never seen any to the effect that the Conservative government would increase family allowances.

The Liberal party also provided for pensions for the aged, the disabled and the blind persons.

Mr. Speaker, if the people of Canada did not have today all those social security measures, I am sure that the situation, on account of the high cost of living, would be worse than between 1930 and 1935.

True enough, the budget announces certain tax reductions, of which the most important is the abolition of the excise tax on passenger cars. I am satisfied with that decrease, but I should like or rather I would have liked it better had the minister thought also of our

farmers, settlers, workers who have to buy a small half-ton truck and forgo the passenger car. It seems to me that the minister should also have abolished the excise tax on half-ton trucks.

The major announcement in the budget speech is the devaluation of the Canadian dollar. I am not an economist nor a financier, but I am convinced that the devaluation of the Canadian dollar will increase the cost of living in our country. A great number of foodstuffs that we have to buy daily such as fruits, vegetables, tea, coffee, sugar, etc., are imported, and I am convinced that we shall have to pay more for those products. In addition we have to import a great deal of manufactured products. As another member so rightly stated earlier, some industries have to import from the United States the machinery they require to develop and to replace their equipment.

I am also convinced that the towns, provinces, municipalities, corporations and individuals who borrowed money on the American market and elsewhere will have to pay more for principal and interest, which will mean a supplementary tax for the consumer.

Mr. Fleming (Eglinton): You prefer unemployment.

Mr. Leduc: In his budget speech, the minister stated that he expected a substantial increase in our exports. Well, I hope that prediction will come true, but I am doubtful. Many Canadians are doubtful also, because this is not the first time that the minister makes predictions and his forecasts, in my opinion, are seldom correct.

(Text):

Mr. Speaker, the debate on the budget gives an opportunity to hon. members of this house to speak on a variety of subjects, which in the course of ordinary debate we cannot do. I have been listening for the last four years to many speeches from both sides of this chamber and a number of special words have been used more often than others.

I have no intention of referring to the word "we", which is the most popular word in *Hansard,* but to more specific words used by the Minister of Finance (Mr. Fleming) in his budget speech. In his budget speech the Minister of Finance used the word "vision". When he talked about his expansion policy he said that was a vision which would create greater exportation and bring about more work and more revenue to this country. I hope that this vision will be better than other visions which were expressed during the campaign of 1957 and 1958 by the Prime Minister (Mr. Diefenbaker) and other members of the government.

I know, Mr. Speaker, that there are men of vision. We in the Liberal party are very proud of some of those men of vision we had in the past. Just to name a few I would refer to the Right Hon. William Lyon Mackenzie King. He was a man of vision. The Right Hon. Louis St. Laurent was another. Then there was a great one in the Right Hon. C. D. Howe. I was reading just a few weeks ago a speech made by our ex-prime minister, Louis St. Laurent, in which he expressed the view that what is lacking in this government is a man of vision like C. D. Howe.

Another word that was used and which is very familiar to the Minister of Finance is "taxation". In the electoral record of 1957 and 1958 there are many pages of promises to reduce taxation, and today we find that the government is collecting more money than ever in taxation from the Canadian people. So "reduction of taxation" is only a phrase not a fulfilled promise. Then there is "inflation". Well, the minister has always been opposed to inflation and I am opposed to it too. I hope this new devaluation of the Canadian dollar will not bring about inflation.

There is another word, "conversion". We all know what happened with the conversion loan. I believe that the conversion loan is responsible for some of the financial difficulties that the government is in today, because this conversion loan has increased the interest and the government has got to tax the people in order to pay that interest, or mortgage the Canadian people.

"Double depreciation"—that is a new phrase in *Hansard*; I have never seen it before this year. It has not brought much result as yet. Let us hope that it will bring results. "Diversion"—this is a word that was very popular in the campaign of 1957 and 1958 when hon. gentlemen opposite were talking about trade. The Conservative members and candidates were then talking about diversion. They were not talking about expansion of trade in those days; no, it was diversion. Well, we know what kind of a result diversion has had in this country.

Then there is the word "expansion". This is a very popular word now. It is the main word in this budget. We will have to wait until the next budget to see whether the meaning the Minister of Finance gives to that word proves to be correct. Then there is the word "confusion". This is a very popular word too, and we know there is confusion. The minister,

in his exposé yesterday, said there was confusion between himself and the governor of the Bank of Canada.

Then we have the word "devaluation". This is a new word too. "Devaluation" is another word used in the monetary field, so we will know by next year what this means to this country. "Prediction" is another word. I have talked about predictions. We know all the predictions of the minister and I hope all his predictions, especially one, will come true. I hope his prediction comes true that in two years from now we will have a balanced budget and in three years we will have money with which to start repaying the loans we are obtaining today.

Another very popular word is "consultation". In this debate and previous debates the minister said he had had many consultations with the governor of the Bank of Canada. I had to consult the dictionary to find out what the word "consultation" really means, and according to Webster's dictionary it means conferring for mutual counsel. I am sure the minister has used fully the consultation process with the governor of the Bank of Canada, because when the consultation process breaks down we have another word that comes to my lips and it is "decapitation". Those are some of the words which the Minister of Finance used often in this house.

But there are other words used by other ministers and by members of the government which are also very interesting. There is one I think of readily—"misquotation". I recall a few months ago that the hon. member for St. Denis (Mr. Denis) said to a good many members: why don't you join the club of the misquoted? He said that because almost every day there was a member rising on a question of privilege and saying he had been misquoted.

Another word is "commission". We all know that when the government is in trouble over a problem it appoints a royal commission to settle or delay the problem. Another word is "consideration". It is a very vague word but it is a very useful word for the government. The Prime Minister used it today. Whenever the government is embarrassed by a question asked by the opposition the minister concerned has only to stand up and say: we have this question under serious consideration. Rehabilitation. That is a good word—rehabilitation. When hon. members opposite are speaking of the unemployed people they speak about rehabilitation. There is a good example of rehabilitation in my riding and many of the municipalities have protested. They are going to rehabilitate prisoners from St. Vincent de Paul, Montreal. They will take them to the Gatineau park, about 25 miles from Ottawa and put them to work. Fortunately they are bringing them into the riding of my hon. friend from Hull (Mr. Caron). They are bringing about 100 criminals there to rehabilitate them but they are depriving local citizens of that work. They have no work for honest workers who have families. There is no need to bring prisoners and place them within 30 miles of Ottawa. I am not against rehabilitating some of these prisoners but why not take them into the Northwest Territories where the government is going to build a railroad? That is where these men would be of use.

"Illusion". Well, there are many illusions and I am sure the government is full of illusions about this budget, but I would not be surprised if the illusion of today proved to be the disillusion of tomorrow. Another word we hear about is "elections". That is an important word. This is the word, this is the subject, and this is the thing that hon. gentlemen opposite believe will get the government and the country out of this mess.

Mr. Alexander Best (Halton): We have heard a number of interesting observations today. Before I make some comments on this budget I should like to congratulate the minister on this lengthy yet meaty item which contained many points of particular interest to my riding as well as points of general interest to many people across Canada. More of that in a moment or so.

The hon. member for Gatineau (Mr. Leduc) who has just resumed his seat has made a very clever play on words here today. But words are a two-edged sword, I suggest, and I would like to evaluate a few of the words he has mentioned in application to our budget, and his party. The hon. member talks about depreciation and devaluation. I wonder whether we should not apply this in evaluating the Liberal party and its appreciation of our budget here today. The hon. member talked about rehabilitation and I can think of no better use of the term than to apply it to the Liberal party. I think the members of the opposition sitting across the aisle are at this time probably undergoing some form of rehabilitation and perhaps after another two decades or so their rehabilitation will be consummated.

The term confusion has been used and confusion, I suggest, is rampant on that side of the house. It is rampant also, Mr. Speaker, among the group who sit on your immediate left. I would perhaps stretch that further and say even hysteria. I notice a trace of hysteria on that side of the house. Hysteria, I am

told, may amount in a medical sense to illusions of grandeur; in the case of hon. gentlemen opposite, illusions of being elected, or of power. We could go on and on.

The term consultation, a most useful word, has been applied just recently to consultations between the Liberal party and the New Party and, possibly, after the motion by the Ontario young Liberal group, to consultation about the amalgamation of those two parties. This consultation represents temptation, as the hon. member for Gatineau would say—temptation to achieve power by any means whatsoever. This is the way one could apply words of many meaning to different people and to different situations.

Devaluation, a change in the value of the Canadian dollar, is having an important effect on many companies in my riding. In the last few days people in the county of Halton have expressed to me a feeling of certainty that many new export markets will be opened up as a result of this measure. They are very happy about this. They believe that the increased sales they may be able to make as a result of this proposal could lead to further employment and much greater prosperity for the companies and for the region concerned.

I wish, now, to say a few words about the industrial development bank. We have heard of the increased lending figures which have played a part in the story of this bank in the last year or two. The volume of the increase has certainly been proved by the amount of money lent by it to the various companies and businesses throughout Canada. Nevertheless, this recent change, increasing its capital from $160 million to $400 million is a most important move, as is the enlargement of its field of operation to cover virtually all businesses in Canada. The reservation is that organizations such as the farm credit corporation must take precedence before the industrial development bank, particularly with respect to certain specialized types of businesses, such as farming. This increase in the money, the facilities and the scope of the industrial development bank represents a most important move, one of which has been greatly welcomed by people in business all across Canada.

The automobile industry has an effect upon us all. In my riding of Halton we have at Oakville the assembly plant of the Ford Motor Company of Canada. Many thousands of automobile workers live in that area and adjacent ridings. We are hopeful that the dropping of the 7½ per cent excise tax on cars will have a marked effect on car sales, with resultant employment in our area. This is a proposal of great importance and one which is welcomed, indeed, by the buying public all across Canada.

In respect to new plant facilities, we were happy, indeed, to note the 50 per cent increase in the rate of capital cost allowance allowed from now on in relation to new assets acquired by businesses, provided it is additional spending over the normal volume in the immediate past. I am sure this will indeed help to speed up reconversion, modernization and expansion of various businesses in our country, and in this regard the government should be congratulated.

It has been my interest while a member of this house, at the meetings of the special committee on research to examine a number of scientific problems which exist in our country, particularly in regard to crown corporations and in the whole field of scientific research in Canada. I think that the provisions in this budget represent an important step toward assisting industries, which are becoming more research conscious, to apply this consciousness and appreciation for increased expenditures in this field in a practical way. Their ability to write off capital expenditures in research not over three years but over a period of one year, is an important advance. I hope this provision will increase research expenditure by various companies.

This type of measure has received the enthusiastic approval of the heads of various corporations including the president of the Ford Motor Company of Canada and others, who have pointed out that they come at a time when industry, government, and the public generally across Canada are becoming much more research conscious.

The lifting of the 5 per cent ceiling on deductible income in respect to research expenditures may enable many firms to spend more in this regard. It has been puzzling to me to decide whether some of these research expenditures have actually been listed under development, expansion or some other heading, but in any case these industries will now be able to give a more accurate listing of research spending under that heading, now that the ceiling has been lifted.

It is very important also to note that donations to non-profit research foundations will now be deducted from income. This is a matter which has received legal attention recently, and has been given realistic and practical consideration. For instance, in Canada, we have new research foundations such as the Canadian uranium research foundation, sponsored by the various uranium mining companies in this country. This foundation may well conduct research in regard to the methods of processing and alternative uses of the metal uranium, and through its funds it may well let contracts for specific projects to universities or other research organizations. I presume that this projected legislation will

enable such foundations to increase their work, and would enable various trade and industrial groups to set up further foundations to carry out much needed research and development work in Canada. If such a tax provision will enable these groups to carry on this research to a much greater extent, it will prove a most valuable change indeed.

I now come to the specific subject of volunteer firemen. The subject of volunteer firemen has been a very touchy one in my riding. I suggest the problems in connection with this subject commenced in my riding in the town of Oakville and spread to Hamilton and various other sections of southern Ontario. As the Minister of National Revenue (Mr. Nowlan) and his parliamentary secretary will appreciate—

Mr. Benidickson: The hon. member for Welland (Mr. McMillan) had something to say about that subject.

Mr. Best: —this has been a thorny problem indeed. I hear echoes and the wagging of tongues across the way in the distance, Mr. Speaker, but I can't make out the words.

We are very happy to witness the government taking action on this problem and in this regard I should like to congratulate the Minister of Finance and the Minister of National Revenue for their consideration of my case.

Up to $300 may be deducted retroactive to 1958 as expense money paid to various firemen. It has been a very difficult problem for small municipalities, which must provide fire protection services to do so, and the residents of those small municipalities have had to depend upon the loyalty, integrity and ability of the hardworking numerous volunteer firemen. In my riding I would suggest hundreds of individuals are involved. It seems to me a fair and excellent decision to allow money paid to them by way of expenses not to be included as income from now on. This measure is to be retroactive to 1958.

Mr. Benidickson: Thanks to the hon. member for Welland.

Mr. Best: Mr. Speaker, I again heard something from the hon. member but it was so indistinct that I shall let it pass.

Mr. Deputy Speaker: It being five o'clock the house will now proceed to the consideration of private and public bills, the former having precedence, pursuant to section 3 of standing order 15.

PRIVATE BILLS

Mr. G. H. Aiken (Parry Sound-Muskoka): Mr. Speaker, before private bills are called, I should like to state that the hon. member for Davenport (Mr. Morton) who is absent because of the death of his father should under normal circumstances have asked at this time for the unanimous consent of the house to proceed with non-contentious bills somewhat out of order. I am not sure that unanimous consent will be forthcoming but I should like to ask that we commence our consideration with item No. 4 on the order paper under private bills, an act respecting the Canadian council of the girl guides association, followed by items Nos. 5, 6, 7, 8, 9 and 10 in that order. Those items would then be followed by items Nos. 3, 1 and 2.

Mr. Arthur Smith (Calgary South): Mr. Speaker, I should like to ask whether the bill, which is item No. 1 on the order paper, is still considered to be contentious? I ask that question seriously in view of recent developments which have taken place. As hon. members appreciate, a provincial body has given considerable consideration to the various pipe line companies which appear before us, and has seen fit to grant a licence to the particular company mentioned in this bill. I should like to ask if it would be possible now for us to proceed with this bill.

Mr. W. M. Benidickson (Kenora-Rainy River): Mr. Speaker, I have great respect for the hon. member for Parry Sound-Muskoka (Mr. Aiken) who indicated he felt there was no controversy with respect to certain private bills which he enumerated. He will understand that I was not a member of the committee that discussed these measures. I know the hon. member would not mislead the house in any way and in expressing his views with the certainty that he did I am sure he felt that those in the opposition would have no objection to his motion. On that basis I am prepared to go along with the suggestion of the hon. member for Parry Sound-Muskoka without reservation. I am sure he speaks for the government and for my part may I say on behalf of the opposition that I have heard of no objection to the suggestion put forward by the hon. member for Parry Sound-Muskoka.

Mr. Winch: Mr. Speaker, I do not quite know what the situation is now.

Mr. Speaker: The hon. member for Calgary South was endeavouring to ascertain whether any member wished to indicate that he was still opposed to item No. 1. I think that was the preliminary matter before we deal with the proposal of the hon. member for Parry Sound-Muskoka.

Mr. Smith (Calgary South): My point has to do with delaying this bill.

Mr. Benidickson: I had that exception in mind.

Mr. Smith (Calgary South): I understood that perhaps there was clarification of the picture with respect to this bill. Any delay does have an effect on a particular portion of the province that I represent and I hope that hon. members will let us proceed with the bill.

Mr. Harold E. Winch (Vancouver East): Speaking on behalf of this group, may I say that we are prepared to accept the suggestion of the hon. member for Parry Sound-Muskoka. However, the hon. member for Calgary South has raised a question regarding one bill which is certainly contentious now, if it has not been contentious in the past, for the reason that a decision has been made by the Alberta conservation board to grant a licence to a company which has not yet received incorporation under federal law.

Mr. McIlraith: No.

Mr. Smith (Calgary South): That is not correct.

Mr. Benidickson: May I say that I withdraw my unanimous consent so far as item No. 1 is concerned. I would want the hon. member for Calgary South to have his full rights with respect to item No. 1.

Mr. Speaker: The proposal before the house, which I take it will not now receive unanimous consent, was that we begin with item No. 4 on the order paper under private bills and follow through to item No. 10 inclusive and then revert to items Nos. 3, 1 and 2 in that order. Is the house agreed?

Some hon. Members: Agreed.

(Translation):

Mr. Samuel Boulanger (Drummond-Arthabaska): I take it, Mr. Speaker, that item No. 4 is the bill introduced by the hon. member for Beauce (Mr. Racine). The member for Parry Sound-Muskoka (Mr. Aiken) said that it was Bill No. 4; under public bills. Am I right in my understanding that it is Bill C-41?

(Text):

Mr. Speaker: Item No. 4 is Bill No. S-20, an act respecting the Canadian council of the girl guides association.

THE CANADIAN COUNCIL OF THE GIRL GUIDES ASSOCIATION

On the order:

House in committee on Bill S-20, an act respecting the Canadian council of the Girl Guides association. (Without amendment).—Mr. Morton.

Mr. O. H. Phillips (Prince): Mr. Speaker, I would ask leave of the house to move this item for the hon. member for Davenport who is absent because of the death of his father.

Mr. Speaker: Has the hon. member for Prince leave to move on behalf of the hon. member for Davenport who is absent?

Some hon. Members: Agreed.

Mr. Phillips (for Mr. Morton) moved that the house go into committee to consider Bill No. S-20, respecting the Canadian council of the girl guides association.

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

Clauses 1 and 2 agreed to.

Title agreed to.

Bill reported.

Mr. Speaker: When shall the said bill be read the third time? Now, by leave?

Some hon. Members: Agreed.

Mr. Phillips (for Mr. Morton) moved the third reading of the bill.

Motion agreed to and bill read the third time and passed.

UKRAINIAN EVANGELICAL BAPTIST CONVENTION OF CANADA

The house in committee on Bill No. S-18, to incorporate Ukrainian Evangelical Baptist Convention of Canada—Mr. Smith (Winnipeg North)—Mr. Flynn in the chair.

On clause 1—*Incorporation.*

Mr. Winch: Mr. Chairman, I was not a member of the committee and I would ask the sponsor if he would mind explaining what this is about.

Mr. Smith (Winnipeg North): Does the hon. member wish an explanation of clause 1 or of the bill?

Mr. Winch: The principle of the bill. I have not had time to study the bill.

Mr. Smith (Winnipeg North): The statement I made on second reading of the bill explains the principle. The purpose is to incorporate the Ukrainian Evangelical Baptist Convention of Canada which is now in operation with headquarters in western Canada at Saskatoon and in eastern Canada at Toronto. The convention represents more than 7,000 Baptists of Ukrainian origin and there are more than 500 pupils attending Sunday schools conducted by the convention. There are 21 organized churches with an adult membership of more than 800 and in addition there are some 25 mission stations where services are

held periodically. The convention has ten resident ministers and ten missionaries.

Clause agreed to.

Clauses 2 to 12 inclusive agreed to.

On clause 13—*Power to acquire and hold property.*

Mr. McIlraith: I should like to ask the sponsor of this bill why the usual limitation on the right to hold property in bills of this kind is not included.

Mr. Smith (Winnipeg North): As to why the usual limitation—?

Mr. McIlraith: On the right to hold property, yes.

Mr. Smith (Winnipeg North): What does the hon. member mean by "the usual limitation"?

Mr. McIlraith: It is frequently the case in bills of this kind that there is a limitation as to the amount of property the organization may hold. Was the omission of that clause in this bill intentional or an oversight?

Mr. Smith (Winnipeg North): This clause, Mr. Chairman, is identical to section 9 of the Evangelical Mennonite Act which was passed by parliament in 1959. This clause was copied verbatim from that act.

Mr. McIlraith: This does not answer my question. The limitation was omitted from that act after consideration; it was a deliberate decision. I am wondering if the applicants wished the unlimited power or if the omission of the limitation was inadvertent? I have no objection to them having the power.

Mr. Smith (Winnipeg North): It was copied specifically from the Evangelical Mennonite Act.

Mr. McIlraith: This does not deal with the point I am raising. It is usual, in this type of bill, to have a limitation on the right to hold property. The act to which the hon. member has referred did not contain that limitation because the incorporators dealt with the point and wished the limitation to be omitted. I am wondering whether that is what these incorporators wish or what is the reason for the omission?

Mr. Smith (Winnipeg North): That is my answer, Mr. Chairman; this organization wished the limitation to be omitted and therefore they copied the exact section from the Evangelical Mennonite Act which deals with this matter.

Clause agreed to.

Clauses 14 to 21 inclusive agreed to.

Preamble agreed to.

Title agreed to.

Bill reported, read the third time and passed.

CONSIDERED IN COMMITTEE—THIRD READING

Bill No. S-26, respecting the Congregation of the Sisters of the Holy Family of Bordeaux in Canada—Mr. Morissette.

NATIONAL MORTGAGE CORPORATION OF CANADA

On the order:

House in committee on Bill No. S-16, an act to incorporate National Mortgage Corporation of Canada. (Without amendment but recommending that the title of the bill be altered to read "An act to incorporate General Mortgage Service Corporation of Canada")—Mr. Morton.

Mr. O. H. Phillips (Prince): I ask leave to to move this bill on behalf of the hon. member for Davenport (Mr. Morton), seconded by the hon. member for Parry Sound-Muskoka (Mr. Aiken).

Mr. Speaker: Is it agreed that the hon. member has leave to move this bill on behalf of its sponsor?

Some hon. Members: Agreed.

Mr. Phillips (for Mr. Morton) moved that the house go into committee to consider Bill No. S-16, to incorporate National Mortgage Corporation of Canada.

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

On clause 1—*Incorporation.*

Mr. Phillips: In accordance with the report of the standing committee on banking and commerce, I would move that:

All the words after "of" in line 15 be deleted and that the "General Mortgage Service Corporation of Canada" be substituted therefor.

Mr. McIlraith: I think if the sponsor will look at the form of his motion, he will find he wants the words "hereinafter called the corporation" left in the clause. He has deleted all the words after the word "of" in line 15 and then just substituted the name of the corporation. If he will look at the form of his motion again, I think he will find it does not do what he intends it to do.

The Chairman: I think the purpose of the amendment would be fulfilled if the words "National Mortgage Corporation of Canada" in lines 15 and 16 were replaced by "General Mortgage Service Corporation of Canada".

Mr. Phillips: Agreed.

The Chairman: Shall the amendment carry?

Amendment agreed to.

Mr. Benidickson: This is not now a contentious matter, but I think the amendment is significant. This bill was introduced in the Senate and a very hot, contentious and earnest fight was conducted there and lost in connection with the name of a company that intends to operate as this company does. I wish to say that the banking and commerce committee took up this matter. It is not my intention to enlarge upon the evidence that is available by looking at the record of the sittings of the banking and commerce committee with respect to the National Mortgage Corporation of Canada. Complaint was raised earlier, when the bill was introduced in the Senate, with regard to the right of private people to use names such as "national", "Canada" and so on. I indicated that I wished to be brief. I shall therefore simply refer all hon. members of this committee and the people in the country to the record of our proceedings in the banking and commerce committee when we examined this problem.

May I say that I think this was an example of the usefulness of a parliamentary committee. Politics did not enter into the matter at all. If such had been the case, it would not have been possible to change the name of this corporation after protests from Central Mortgage and Housing Corporation which felt that there was some conflict or confusion or some element of difficulty for the public in connection with the name. That crown corporation made the same representations to the Senate. They failed there in getting an amendment.

I simply wish to pay tribute to the general attitude of those who are elected across the country as members of the House of Commons and to refer to the fact that it was felt that no corporation entering into this important field of second mortgages, which is a unique field, was checked to the extent that, as a private enterprise organization, it must use a title that would indicate that it was a private enterprise organization and not a government sponsored organization. This was not a political partisan affair. The suggestion came from members of all parties who attended the meeting of the banking and commerce committee. It was their feeling that corporations, no matter how important their national service might be, must be careful not to use names or appellations that might give rise to confusion in the mind of the public or possibly indicate that they were government sponsored.

The Chairman: Shall clause 1 carry?

Mr. Peters: I also should like to say a few words on this bill, and to add my condolences to those of the mover of the bill today on the death of the father of the previous sponsor. We all offer our condolences.

In this bill, as the hon. member for Kenora-Rainy River has mentioned, we have seen some of the best operations of this house and of the work of the committee of this house. A great deal of contention was raised in my mind immediately by two events which occurred fairly close together. One was the announcement by the Minister of Public Works that offerings would be made in the secondary mortgage field in relationship with Central Housing and Mortgage Corporation. The second was the advent of this company which had the appearance, because of the name of the company, of being in the mortgage field in competition or of being in the field in such a manner that, because of the name, some difference of opinion would arise whether it was in effect in a field in which we would prefer to see established a crown corporation rather than a private company. The fact that this company has agreed to and the committee has endorsed the idea of changing the name to one more appropriate to a private company and reserving for the crown a name that would of necessity be more acceptable to a crown corporation certainly has been of advantage with regard to the passing of this bill.

In other respects there are many unique factors. One is that we now have a uniform secondary mortgage company that has by law established certain rules and regulations as to its capitalization and to the method of its capitalization. All members of the house, no matter what their political affiliation, I am sure were pleased to note that this company asked that 75 per cent of their directors be Canadian citizens ordinarily resident in Canada. I am sure they were also pleased to note that this company asked for and made part of their bill the requirement that for a period of 15 days at least 60 per cent of any stock offering up to $10 million, with a proposed increase of $5 million to a total of $15 million, would be allowed for sale in Canada to Canadian citizens.

Mr. Benidickson: In essence, what does that mean? It means nothing.

Mr. Peters: The Minister of Citizenship and Immigration is with us. She would be in a much better position than am I to define what is a Canadian citizen ordinarily resident in Canada. But whatever it is, it sounds fairly good to me. It is a great deal better than we have had in the past.

We have the fact that this company has been established and that there are to be two types of mortgages. The first type is one that can be bought by companies and will be held under trust by this corporation, with a

small payment being made for the management of their bonds. The second type of mortgage will be that in which a number of people can participate, those who wish to do so and who are willing to put their money into second mortgages but who normally would not have enough capital to handle one secondary mortgage. Through its proposals this company has set up the machinery which will allow those people with less than the normal amount of money required for a second mortgage to participate and to take advantage of the opportunity in this field. I think that this bill is an exceptionally good one. I believe it will offer something to the Canadian people, provided that the interest rates are reasonable; and I presume and hope that will be the case as the company have been reasonable in other respects. I believe that this bill will do two things. It will allow the accumulation of the money necessary at the present time for second mortgages, something which will tend to eliminate the very high premium that is now paid on second mortgages, including in many cases an unreasonable bonus. It will also allow people having a limited amount of savings with which to engage in the secondary mortgage field to participate on this basis, with a company that has set up the machinery that will protect the investment they care to make under this legislation.

Mr. Regier: Mr. Chairman, I believe the bill now before the committee is rather unique and I should like to say a few words about it. In the first place, I heartily endorse the amendment that has been proposed. I do believe that we must be—and we have not always been—very cautious before we authorize the use by Canadian companies of such words as "national", "royal" or "dominion" in their name. Equally so, I believe that a company incorporated in the province of Ontario carrying in its name the word "Ontario" operates at unfair advantage over other companies. A company incorporated in British Columbia ought not to be permitted to use in the name of the company the words "British Columbia". I say this because to the average, innocent Canadian there is the implication that this particular company might have the backing of either the province or the nation. Therefore I want to compliment the committee for proposing the amendment that is now before us, that the word "national" be eliminated and another word be substituted for it.

We have long asked for action on the part of the government to eliminate the racketeering that exists in the sale of mortgage paper in Canada. Several months ago the government announced its intention of moving in this direction in that C.M.H.C. was going to place on the market blocks of half a million dollars each of real estate paper. As I understand it, this company is specifically designed in order to take advantage of these potential offerings of the government. I would like to heartily congratulate the company for many aspects of its articles of incorporation as they now appear before the committee. In the first place I notice that the shares are going to be offered in denominations of $10 each. I would advise any Canadian with idle investment capital, no matter how small, to participate in an effort of this kind. I believe this is a bona fide—

Mr. McIlraith: Is this what you are recommending?

Mr. Regier: Yes, the money will be invested in insured mortgages.

Mr. McIlraith: You are recommending investment in fixed securities rather than in equities, in a period of inflation. Did you not hear the budget?

Mr. Regier: I am not going to discuss inflation at the moment. I believe this is a bona fide Canadian corporation and they realize the possibilities that exist in this field of buying and selling mortgages on real estate. I would also like to endorse the commendations made by the hon. member for Timiskaming. I notice that this company insists that not less than 75 per cent of its directors shall at all times be Canadian citizens ordinarily resident in Canada.

I also like another aspect of this matter, whereby before there will be any offerings of the stock of the company on the world market Canadians will be given at least a 15-day leeway in which to participate. I realize at once that this is only one of many hundreds of Canadian companies and corporations which will be eligible to submit bids on offerings of mortgage paper by C.M.H.C. and to deal in other types of mortgage paper. However, I believe this is the first time this parliament has been asked to incorporate a company that is basically a Canadian company in concept and also in its intentions as to manner of operation.

Mr. Benidickson: Nonsense. Anybody can buy stock in this company.

Some hon. Members: Carried.

Mr. Benidickson: Mr. Chairman, having heard the remarks of the hon. member for Burnaby-Coquitlam I feel obliged to say a few words on this matter. I am not opposing the incorporation of this company, because countless companies based on principles similar to those enunciated in this bill have been incorporated by this parliament. However, when federal incorporation is required, as a

member of parliament I think I should warn my colleagues that it is just wishful thinking to believe that some of the clauses in this bill are different than those in bills incorporating other mortgage corporations.

The hon. member for Burnaby-Coquitlam referred to the fact that 75 per cent of the directors must be Canadian. To me that means nothing. It is a question of whether or not the directors are truly owners of the stock in the company, or whether they are simply nominees of foreign holders of stock in the company.

To me several clauses in this bill are simply window dressing, eyewash and nonsense in so far as any drive on our part is concerned for effective, proper legislative control to reduce foreign ownership. I said at the beginning of my remarks that I am not opposing the bill, but I do not like the eyewash and the suggestion that this is a good measure because 15 days are given as an opportunity for subscription for stock. In my opinion that means nothing, in connection with the National Mortgage Corporation of Canada.

In my opinion dummy residents in Canada could subscribe for stock within that 15-day limit, and realistically it has nothing whatever to do with the terms of this bill. I am not opposing the bill, because we have approved bills of this kind for a long time; but I do want to indicate that we are not being misled in any way that this is more of a "Canadianization" bill than any other bill of this kind which has been presented to parliament for federal legislation.

Mr. Martin (Timmins): It is more Canadian than is Aurora.

Mr. Benidickson: I think perhaps similar faults prevail in both cases. I am saying that the technical devices, the legal devices applied to invoke the principles that might be in the minds of all hon. members of this parliament when we think of Canadianization are really, if we look at this bill, completely defeated by reason of the fact that 15 days after the opportunity for Canadians to buy, a United States or foreign investor could buy through a dummy Canadian citizen. I simply want to warn other applicants for incorporation that we in parliament are not so stupid about our wishes with regard to incorporation and Canadian ownership that we think if they put some of the meaningless clauses into a private bill such window dressing enhances its likehood of passing through the House of Commons.

I say I intend to vote for the bill because we have not voted against similar bills in the past, but I am not for a moment misled about the appointment of directors or the offering of stock for 15 days to Canadians. I am not misled for a moment into thinking this necessarily means the Canadian ownership and operation of this company in the future.

Mr. Howard: This question is obviously of great interest to the hon. member for Kenora-Rainy River. I think I do not have the same appreciation of Canadians he has. I cannot apply the word dummy to them, not to all of them, at any rate. Of course, when one looks across to the other side of the chamber the word may come to mind.

I think that perhaps in essence what the hon. member says is true, namely, that the intent set out here could be subverted. That is correct, but that is no reason for not adhering to the principle and the hope, barring any international barriers placed around the country which prevent the movement back and forth of people and money. Barring these things I do not think we shall ever be able to develop any legislation, which will be completely effective along these lines.

Mr. Benidickson: I am not opposing this bill but I do not want parliament to be kidded by this clause.

Mr. Howard: I appreciate that. I think I have the same appreciation as the hon. member does of the effect of this. I realize the intent and the purpose of this could be destroyed very easily by the company itself, as far as that goes, and also by others who have an interest in it and who want to act on behalf of individuals who have money outside the country. I think this would be true in all instances. But it is no reason for us to sit back and do nothing about it. I think we should consciously attempt to promote Canadian ownership of corporations just as we should consciously attempt to promote Canadian control of another company whose affairs may come up for discussion following this.

Mr. Regier: I cannot lightly pass by the warning issued by the hon. member for Kenora-Rainy River. The hon. member called this particular aspect of the bill nonsense and mere window dressing. However, if I understand this matter rightly, if I own some equity in a Canadian corporation and if I attend the annual meeting I am able to cast votes according to the equity I hold. If I have 5,000 shares I am able to cast 5,000 votes while another man, who may have only 11 shares, can cast only 11 votes. However, this does not apply once you have been elected to the board of directors. I have never yet heard of a board of directors where the vote of one director counts for more than the vote of another director and if this bill says that not

less than 75 per cent of the directors must be bona fide Canadians I cannot understand why the hon. member should call that nonsense and window dressing.

Mr. Benidickson: A director could be a dummy if he was appointed to the board because somebody else in the United States could own 75 per cent of the stock.

Mr. Regier: I appreciate that. Yet there is in the hearts of Canadians, I hope, such a thing as loyalty to their nation. I can well imagine that the recent rumpus we had over the unloading of grain that we sold to China or the rumpus we had some years ago over the issue raised by the hon. member for Vancouver East when the sale of rubber belts or conveyor belts to China was blocked would never have happened if 75 per cent of those who had the right to cast a vote had been Canadians basically.

Mr. Benidickson: In 1958 in connection with Ford products they got their orders from Detroit.

Mr. Regier: I know there may be Canadians who will subvert the national interest for their own selfish interest. I know nothing at all about the men who are responsible basically for the organization of this company. However, I have reason to believe they are bona fide Canadians and I would much prefer to support the incorporation of a company of this kind than to support, as we are often asked to do in this house, a company being organized by a legal firm which we know is acting on behalf of outside financial interests. I am sure even the hon. member for Kenora-Rainy River is happy to know that the men responsible for the sponsoring of this bill are not merely a smokescreen for the Household Finance Corporation, for instance, which is a United States interest.

Mr. Benidickson: I hope not.

Mr. Regier: There may be some merit in what the hon. member has said. He has attempted to warn the house that we ought not to be misled, that our intentions can be frustrated despite the terms of this bill. However, I believe the expressions contained in this bill will have a beneficial result on our national interest because I think that in the years to come we shall see more and more incorporations including clauses along these lines, and despite any dirty work that may go on behind the scenes at times I think the long range intention is good and that it will have a good effect.

Mr. Benidickson: Having heard the hon. member for Burnaby-Coquitlam I shall say very tersely that I agree in large part. I will only repeat that the clauses of the bill in my opinion are windage, not legally binding, containing such words as "maybe" and "perhaps". They indicate a course on which we would both agree though we would hope they would have some legal application in so far as directors are concerned and the holding of stock. I have indicated twice that I do not propose to vote against the bill but I felt that this was just window dressing to the extent that it talks about Canadianization and I thought all of us in the House of Commons should beware of bills of this kind.

Clause as amended agreed to.

Clauses 2 to 13 inclusive agreed to.

Preamble agreed to.

On the title.

Mr. Benidickson: Mr. Chairman, in connection with the title I should like to repeat that the banking and commerce committee of the House of Commons performed a very important function. I am not sure whether that committee has re-established a principle in doing so in so far as names relating to companies which apply to the Secretary of State for incorporation as limited companies, or apply to parliament for incorporation, are concerned, but I think this is a very important development in this connection. I hope that parliament will regard this as such when it adopts this practice of restricting the use of the words "national" and "Canada" and so on. That is all I intend to say in this regard. I suggest amendments such as this are very significant, although they can be reversed by our successors.

Mr. Phillips: Mr. Chairman, I understand that the title has been amended.

Mr. McIlraith: It has not been amended yet.

The Chairman: A report has been received recommending the amendment but it has not yet been adopted.

Mr. Phillips: Mr. Chairman, I should like to move:

That the title of Bill No. S-16 be amended by replacing the words "National Mortgage Corporation of Canada" by the words "General Mortgage Service Corporation of Canada".

Amendment agreed to.

Title as amended agreed to.

Bill reported, read the third time and passed.

Mr. W. G. Beech (York South): Mr. Speaker, the passage of these bills took longer than we had anticipated. I wonder whether I could have unanimous consent of the house to deal with Bill No. S-23, an act respecting the Canadian Legion, at this time?

Mr. Aiken: I have no objection.

Mr. Speaker: Is the house agreeable to that proposal?

An hon. Member: No.

Mr. Speaker: I hear some objection. Is the house agreeable to considering the next three bills in the committee of the whole at the same time? I understand it is perhaps possible they will be disposed of without objection.

Some hon. Members: Agreed.

ACADIA LIFE INSURANCE COMPANY

The house in committee on Bill No. S-22, to incorporate the Acadia Life Insurance Company—Mr. Aiken (for Mr. Morton)—Mr. Flynn in the chair.

On clause 1—*Incorporation.*

Mr. McIlraith: Mr. Chairman, I desire to say a word or two in respect to this clause, and I hope to be brief.

It will be noted in this clause the petitioners are seeking to incorporate this company under the name The Acadia Life Insurance Company, and in French, L'Acadia Compagnie d'Assurance-Vie herein after called "the company".

The point I wish to make is that this follows the desirable practice which has been adopted by the house of granting alternative names to companies incorporated by special act. Under our Companies Act, companies seeking incorporation by letters patent do not have the same right and can only take a name in one or other language. This fact presents a great deal of difficulty to national companies which do business in all sections of Canada who have to use a name in a language which may not be used in a particular section of the country. I have reason to suspect that there are many companies, and some I know for certain, which would prefer to have alternative names for use in different parts of the country. I can see no objection at all to the same practice being used under the Companies Act as is used in these special acts of incorporation provided the translation of the name is carefully done. I should like to draw this situation to the attention of the government and request the minister to give consideration to appropriately amending the Companies Act at some future date.

Clause agreed to.

Clauses 2 to 7 inclusive agreed to.

Preamble agreed to.

Title agreed to.

Bill reported, read the third time and passed.

[Mr. Beech.]

CONSIDERED IN COMMITTEE—THIRD READING

Bill No. S-27, to incorporate the Guaranty Trust Company of Canada—Mr. Aiken (for Mr. Morton).

THE CANADA PERMANENT TRUST COMPANY

The house in committee on Bill No. S-25, to incorporate the Canada Permanent Trust Company—Mr. Aiken (for Mr. Morton)—Mr. Flynn in the chair.

Clauses 1 to 6 inclusive agreed to.

On clause 7.

Mr. Peters: Mr. Chairman, in respect to clause 7 I should like to ask the sponsor whether the banking and commerce committee made any recommendation or reference relating to the fact that the interest is to be compounded?

Mr. Aiken: Mr. Chairman, on behalf of the sponsor of the bill I should like to say that I am not clear what the question is. I believe it had reference to compound interest. To which clause did the hon. member refer?

Mr. Peters: I referred to clause 7.

Mr. Aiken: I cannot answer the question. That clause does not seem to refer to interest at all. I do not understand the significance of the question.

Clause 7 agreed to.

Preamble agreed to.

Title agreed to.

Bill reported, read the third time and passed.

Mr. Winch: That is co-operation for you, mister house leader, three at once.

Mr. Churchill: That is very good.

Mr. Speaker: The hon. member for York South appears to be anxious to proceed. Does the house give the hon. member leave to proceed?

Mr. Beech: Mr. Speaker, I wonder whether I could crave the indulgence of the house to deal with item No. 3, Bill No. S-23 respecting the Canadian Legion?

Some hon. Members: Six o'clock.

Mr. Speaker: I am sorry. I hear objection to the procedure suggested by the hon. member.

At six o'clock the house took recess.

AFTER RECESS

The house resumed at 7.30 p.m.

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed consideration of the motion of Hon. Donald M. Fleming (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means, and the amendment thereto of Mr. Benidickson.

Mr. Best: Before dinner, Mr. Speaker, I was discussing some of the measures introduced by our recent budget and the particular effect they have on the various groups of people in my riding. These measures, such as the one with respect to our dollar, write-offs in respect of capital expenditures in various fields, new provisions for new plant facilities and research expenditures, are measures which I am sure will please and affect many areas of our country.

I was drawing attention to the fact that two particular measures play an important part in my riding and before their implementation I had discussed these at some length with the ministers of the departments involved. The provision in respect of payments to volunteer firemen is one such measure, and the matter of a duty or tariff on chicken imports from the United States is another. This latter matter is one which will affect many specialized farmers, broiler growers, those who produce eggs and, indeed, the whole chicken industry. There are many hundreds of these specialized farmers in my riding and in adjacent ridings. They have for a long time wanted some equality of duty or tariff on fowl coming into Canada with our own exports to the United States. This measure introduced by the government has been warmly greeted by people in the riding of Halton who are concerned with this business. This duty of five cents per pound on eviscerated chicken, will apply to cut up and cooked chicken as well, and will thus be important to our broiler growers and all people associated with the poultry industry.

There are other budget measures which we could discuss this evening if time permitted, such as the complex financial matters which will have a profound effect over the weeks and months on various sections of Canada. The opposition, as voiced by some members of the Liberal party and the C.C.F. party, has been particularly weak in the days succeeding the introduction of the budget. The opposition has been lengthy but rather empty of content, I would suggest, as is the Liberal amendment itself, which mentions trade restrictions and so forth. I feel that the measures introduced may not really be restrictive of trade at all. Indeed, they may stimulate a great increase in our export trade. I believe the total effect of these measures upon our country will be beneficial, particularly to our export trade.

In considering the various opposition speakers, most of whom are not here tonight, I would say it has been noted in recent days that the hon. member for Bonavista-Twillingate (Mr. Pickersgill) has demonstrated a mounting, increasing hysteria as evidenced by the volume and loudness of his attacks on the government. We all realize that the session has been long and perhaps the hon. member for his own sake could stand a good rest and a bit of refreshment before he continues mounting these attacks in this house. We were very much interested in his comments just a few days ago and the fact that he does not read a high proportion of the letters he receives. I think that few of us could say that we read absolutely everything. Most of us try to read all of our correspondence. An admission of this sort by a former Liberal cabinet minister but now a private member, is a most interesting one indeed.

Perhaps I can continue in relation to the tariff measure on chickens that I was discussing previously and note his off-hand reference to gutless chickens, as he put it. If this indicates the importance attached to this matter by the hon. member and indeed by the Liberal party, it is something of which I feel the farmers of Canada ought to take note in a very serious degree. We cannot blame them too much on the opposition side, however, since the position of farm or agricultural critic seems to be constantly shifting around among a variety of members on that side of the house.

The hon. member for Bonavista-Twillingate in a previous debate in this budget set of speeches mentioned something about "off with the heads" of senior civil servants in this country. I do not think the people of our country have any thought whatsoever that any action which the government is now taking in reference to the Bank of Canada means this sort of thing at all. As a matter of fact, in my own opinion and in that of most of the constituents from whom I have heard, we have really leaned over backwards to be fair, honest and, if at all possible, accommodating with respect to the governor of the Bank of Canada. The same thing may be said with respect to other senior people in public life. I think we have been extremely fair in this matter. I would suggest to the

Liberal members that they look into their own background in this field before casting such aspersions at others.

I mentioned agricultural matters. It was rather interesting to see in recent days the trespassing by various other members of the Liberal party in this field which I had come to think belonged to the hon. member for Essex East (Mr. Martin). The hon. member for Ottawa West (Mr. McIlraith), for instance, got into the grain trade business in recent days. The hon. member for Niagara Falls (Miss LaMarsh) commented rather plaintively on matters of drought and grasshoppers in the west. Indeed, today the Leader of the Opposition (Mr. Pearson) got into the cattle market, perhaps to his subsequent sorrow. This business of an agriculture shadow cabinet minister has really been travelling the circuit in the Liberal party opposite. I am sorry the hon. member for Kenora-Rainy River (Mr. Benidickson) is not here this evening as he was so much in evidence this afternoon. Perhaps we should congratulate him in that he seems to have maintained his shadow or shadowy position of opposition financial critic.

The hon. member for Trinity (Mr. Hellyer) in this budget debate a few days ago commented on various topics. He suggested that we have cut down on various important works in this country. When this procedure was necessary and when it seemed wise, we have indeed done so. But, Mr. Speaker, I would call to your attention and to that of the people of this country the tremendous increase of funds, and the building and construction in general which has taken place in the last three or four years. I could name hospitals, roads, dams, house construction, public building construction, airports and so on, a whole long string of projects, which this government has fostered to an increasing extent and which really negate and deny any such argument on the part of the hon. member for Trinity.

But this hon. gentleman a few days ago, as found at page 6888 of *Hansard,* mentioned that if the government took itself seriously it would realize that these skills must start at the top, and that we must have a skilled government. By inference I presume he meant that a skilled government could arise from the members sitting opposite us. This is a rather ludicrous thought. We may have seen, of course, in recent weeks prior to the by-elections at least, I suppose fully half of the members of the Liberal opposition counting on various cabinet positions for themselves. We can see this subtle build-up and we can see the much more sudden deflation following the by-elections which they won in the proportion of one out of four. Hence if a skilled government is necessary, Mr. Speaker, I submit that we have it now; and I submit that the alternatives on the other side of this house are simply not in existence at the present time.

The hon. member for Niagara Falls, in discussing the budget, talked about various problems out west, as I said before and I think really typified, along with others, the sort of mounting hysteria which we have noticed in the opposition party. The obvious divisions within this party about which we hear in private and which are frequently exemplified in public, are ones which will have to be worked out in the period of years that follow.

I observe my friend the hon. member for Peterborough (Mr. Pitman) sitting down at the far end of the chamber. We were interested in his comments on the budget as well. With regard to some of the very interesting remarks he made, I think we could agree with him. I note the comments which the hon. member for Peterborough made, as found at page 6895 of *Hansard* where he states:

> Indeed, there are few extreme positions; life is nothing but finding compromises.

I suggest that this is not the spirit of a New party member. While it may be a wise personal decision on the part of the hon. member for Peterborough, I am sure he must be suffering acute indigestion in the group in which he finds himself at the moment. I would rather agree with his position, but it is not the philosophical position of the incipient party to which he belongs.

Then we go on to the hon. gentleman's other comments about this country perhaps becoming a banana republic and so on. I believe there is instance after instance in which this government has asserted in a true and independent spirit our differences with the country to the south of us, our great friendship with it but our distinct differences. It has taken a government such as that which we have had in the last four years to assert these differences, to stand up from a position of honesty and strength in various difficult and individual positions which have fallen upon us. In short, Mr. Speaker, I cannot accept the long and frequently windy but completely vacant and empty opposition which has come to the present budget. We do not pretend to say that it has solved all our problems but it has made major steps in many directions.

I cannot sit down without one final comment on these various remarks from the two opposition parties. We have talked about various types of fowl, farm problems and a number of miscellaneous items. One which came to my attention just a few days ago

involved a mouse and a tiger. This mouse and tiger combination is one which I think may ring down the succeeding months and years with loud reverberations. When the president of the Liberal association of Ontario describes the approach of his party to the incipient New Party as a mouse coming to a tiger, I think perhaps half of that description at least is correct. I would not say that about the whole of it. But I welcome with an open heart the honesty of this man in voicing his opinion and his true feelings, and we are glad indeed that it has come to the public's notice in recent days.

Mr. Romuald Bourque (Outremont-St. Jean): Mr. Speaker, the reason members of the government in power did not speak on the budget before today is no doubt due to the fact that the Minister of Finance (Mr. Fleming) put them to sleep when he made his marathon speech on budget night. They woke up suddenly today. We had nearly three hours of words, words, words—30,000 of them—when the whole thing could have been said in one hour at the most. I have never heard the Minister of Finance make a speech so uninteresting, so devoid of interest as was the budget speech. Of course a budget that offered so little had to be couched in many words. I have great respect for the Minister of Finance, but he certainly disappointed me on budget night. The Canadian public soon realized that this was again a deficit budget, in which the Minister of Finance specializes, and soon lost interest. It made me think of the old saying: You may fool all the people some of the time; you can even fool some of the people all the time; but you cannot fool all of the people all the time.

Mr. Speaker, may I quote from a Montreal financial weekly under the date June 22, 1961. E. J. DeSeau, the financial editor had this to say. It is a long article and I will not read it all:

> The budget was not worth delay. Not even size of cash deficit offered any new surprise.

The article continues:

> The platitudinous preambles to the budget were undoubtedly spoken in Donald Fleming's voice but the words were those of the Prime Minister.
>
> This is clearly a government by fall guys.
>
> We would say that nobody really knows who is next in line for some sort of misery. But what matters at this moment is this budget.
>
> Was it worth being delayed from April till June? It was not.
>
> Is it an expansionist budget?

Mr. Bell (Carleton): Hear, hear.

Mr. Bourque: Due to this budget provinces, corporations and municipalities which have borrowed in the United States will find the cost of their reimbursements greatly increased. The finance commissioner of metropolitan Toronto said each drop of one cent in the value of the Canadian dollar would add $200,000 a year to Toronto's costs on its United States indebtedness.

May I, Mr. Speaker, read from the annual address of Mr. W. Earle McLaughlin, president of the Royal Bank of Canada.

> It is time we stopped talking dangerous nonsense about using fiscal and monetary policy, not for their legitimate purposes, but as an allegedly "easy" way of bringing down the exchange rate or the interest rate, or both. We are blaming the steam gauge for the lack of pressure in the boiler. There is no easy way to bring down our long term interest rates or to achieve an excess of exports over imports or cut down on foreign borrowing, if we think any or all of these things desirable; and the sooner we recognize the facts of life as they relate to economic policy, the sooner we will achieve the goals we seek... increased employment and balanced economic growth without inflation. They cannot be attained—indeed our problem can only be made worse—by concentrating on and trying, through monetary policy, to manipulate the exchange rate, or long term interest rate differentials between Canada and the United States.

I should now like to quote from a Montreal newspaper of Monday, November 14, 1960:

> U.S. investment brings more good than harm.
>
> "Problems have arisen," Edward R. Ernst of the Bank of Montreal told a Canadian-American seminar, "but I am certain that in the absence of foreign capital we would have a much bigger problem on our hands".

The article continues:

> "It was United States capital that opened the iron fields of Labrador and Steep Rock, the nickel deposits in Manitoba and to a large extent the petroleum and natural gas resources of the west."

From 1931 to 1935 inclusively, under a Conservative regime Canada had a yearly deficit. This deficit, for the five years under a Conservative regime as I stated previously, totalled $668,346,999. From 1947 to 1956 inclusively, under a Liberal regime Canada had a total surplus, not a deficit, of $2,120,537,800.

Mr. Bell (Carleton): Why did the hon. gentleman jump 12 years?

Mr. Bourque: We had a war in between. You can make your speech later. In 1957—I know hon. members opposite are not going to like these figures, but they are the truth—for the period before the accession to power of the present government, the Liberal government had a surplus of $257,505,582. From 1958 to 1959 inclusively, under this Conservative government, a period of two years, Canada had a deficit of $647,939,576. Add to this, based on the estimated figures of the Minister of Finance, a deficit of $345 million for 1960 and a further deficit of $650 million for 1961 and the estimated total deficit for

the years 1958, 1959, 1960 and 1961—a period of four years—adds up to a total deficit of $1,642,939,576.

Mr. Martin (Timmins): We will probably beat that this year.

Mr. Bourque: Tory years are always depression years. "Deficit Don" has done it again. The minister will depend on, and no doubt will hope, for a lowering of the interest rates in Canada. How this is to be done was not clearly explained in the budget speech. The effect will be to make investments in Canada less attractive to foreign lenders. It has been said that this government will have to borrow an average of $100 million a month for the balance of the fiscal year to meet the estimated cash deficit of $650 million. It is anticipated that the expenditures for 1961 will be $6,415,000,000, and the anticipated revenue is $5,961,000,000. The Minister of Finance and this Tory government have added $2,056,000,000 to Canada's public debt in four years.

Mr. Speaker, may I read from *Labor*, a weekly publication, issue of Saturday, March 25, 1961:

> Business failures jump in Canada.
>
> Business failures increased 21 per cent between 1959 and 1960, according to the dominion bureau of statistics. Defaulted liabilities under the provisions of the bankruptcy and winding up acts reached $148,253,000. The increase in business failures were substantial in general merchandising, auto products, building materials as well as in iron and steel and wood products manufacturing industries.

The high taxation with which industry is saddled is stinting our competitive ability. The government should realize how badly off industry is in comparison with most of our foreign competitors. Gross corporate earnings are taxed at a flat 50 per cent rate. No distinction is made between what is distributed and what is ploughed back into the company to provide for expansion, thereby enabling it to manufacture a cheaper, better and more competitive product.

Canadian industry is allowed less favourable depreciation rates than most of its foreign competitors. Under our tax laws, not much more than 20 per cent of the cost of a piece of equipment having a 15-year life can be written off in the first year. Britain and Japan permit a first year write-off of about 50 per cent; Sweden, 40 per cent and Italy more than 30 per cent.

The United Kingdom provides many other exemptions such as 20 per cent on new machinery and plant in the year of acquisition deductible from taxable income. This is in addition to the regular depreciation on machinery which would amount to approximately 15 per cent plus an extra initial allowance of 10 per cent in the first year. This government should take a leaf out of the Britishers' book in this matter of investment allowance. Semi and fully manufactured products account for more than one third of all the export dollars we earn in any given year. The last final figures available are those of 1959. They show that such goods brought us in $1,860 million, or 37 per cent of the total income from the export of Canadian products in that year. Our 1959 purchases abroad of fully manufactured goods, were equal to $244 for every man, woman and child in Canada.

The amount spent by Canadians for competitive imports is little short of fantastic. Individual Canadians bought 4.7 times as much fully manufactured goods as did the Britishers in 1959, nearly 4.9 times as much as the west Germans, 6.4 times as much as the Americans and 27 times as much as the Japanese. We have a favourable trade balance with European nations and a heavy adverse balance with the U.S.A. How long will European nations continue to pay for our luxurious imports from the U.S.A.?

One thing is sure to result from this budget. The cost of living will rise as our dollar declines. We have a serious unemployment problem but it is as nothing compared with what this problem will be unless we take immediate measures to check the uncontrolled flow of printed matter from foreign countries and principally from the United States. Our small population in Canada is called upon to support the greatest volume of imported printing of any country in the world. Sixty per cent of United States printing exports are absorbed by Canada. Only 5 per cent of our printing exports are absorbed by the United States. The population of the United States is approximately 180 million. Canada's population is about one-tenth of that. For every rabbit we sell to the United States we have to purchase 12 elephants. This applies to the printing industry only. Possibly similar comparisons can be made in other industries.

Printed imports to Canada from the United States and all other countries for the year 1953 amounted to $130,679,553, as compared with $183,716,509 for 1959, which represents an increase of $53,036,956. Printed exports shipped from Canada to the United States and all other countries for the year 1953 amounted to $5,451,234 as compared with $8,927,732 for 1959, which is an increase of $2,994,038. Let us compare the difference. In 1959, Canada imported from the United States and all other countries printed matter to the value of $183,716,509 and in the same year the total Canadian exports were

$8,927,732, representing an imbalance between exports and imports of $174,788,777.

I understand that a group of officials was sent to Europe recently where they visited Her Majesty's stationer in England and some of the leading European industrialists. Though I cannot vouch for this, my information is that in England they were looking into the possibility of Her Majesty's printer doing some printing for the government of Canada, and that they were also looking for information about British government printing operations in order to justify our own printing bureau to the Glassco commission. I also believe that this delegation visited the Olivetti company in Italy. What was the reason for this delegation? Is the government thinking of importing more printed matter from Great Britain and other European countries, thereby increasing unemployment in the graphic industries in Canada?

We are now experiencing the influx into the labour force of many tens of thousands of young Canadians, those born after the end of the second world war. Industry will have to absorb a large proportion of these if we are not to be faced with chronic unemployment. The planning to put an end to unemployment must be undertaken right now. Too long has this government been dilly-dallying with this problem. It will be too late and worse than useless to be throwing up our hands in consternation five years from now. The government should confer immediately with industry, labour, educators and parents in order to prepare the way to put to work every single one of these young Canadians. They must be trained, however, so that they will possess the knowledge, intelligence and skills that industry needs and must have in these difficult times.

Mr. Fleming (Eglinton): Would the hon. member permit a question? Before he leaves that matter of the importation of printed material I wonder whether he would indicate to the house specifically what he would propose. He has indicated some degree of alarm at the volume of the inflow into Canada of printed material. What is it, precisely, he is proposing as a solution to the problem he described?

(Translation):

Mr. Bourque: Mr. Speaker, I had a speech to make. I did not come here to supply information to the minister. The minister should know his business and know what to do. He can inquire later. If he wants my co-operation, he can telephone me, and I shall be pleased to go to his office and tell him what I think he should do.

Mr. Fleming (Eglinton): The hon. member has succeeded in evading the question.

(Text):

Mr. Bourque: In a period of serious unemployment there are many thousands of jobs going begging in Canada today for no other reason than that there are too few people with the necessary education and technical qualifications to fill them.

Long enough has this government dodged its responsibilities. It should invest in the training of such people rather than continue indefinitely to help them in uneducated idleness draining the unemployment insurance fund dry, or subsisting on government relief.

I have gleaned much of my information from the address given by the president of the Canadian Manufacturers' Association at its ninth annual general meeting. The unemployment insurance fund sank to $110,051,922 at May 31, the lowest point since its building era. A year ago the fund was at $299,293,000, and at April 30 this year it stood at $143,651,000. The $33 million dip in May was one of the sharpest May declines in the fund's 20 year history.

Municipalities could play an important part in restoring and maintaining full employment. For this purpose large sums of capital would be required at interest rates which the local communities could afford. Most Canadian municipalities have reached the limit of their borrowing power. They are forced to compete in the financial market with the more attractive securities of the dominion and the provinces making municipal borrowings practically impossible.

If the federal government created a national development fund to assist municipalities in financing improvements in public services and utilities at a reasonably low interest rate, this would create jobs for thousands of unemployed throughout Canada. Unless immediate measures are taken to get the unemployed back in jobs Canada faces the unenviable prospect of continued unemployment and a grim future of poverty and dire misery.

Since 1956 approximately 41,000 employees have been dropped by the Canadian National Railways and the Canadian Pacific Railway. These figures relate to one type of industry only. We are told the railways are losing money, their losses are increasing every year. If their earnings do not increase we can expect to have further curtailment of railroad services. Chances of any increase in the passenger or freight traffic do not look very bright. Let us put back to work the 625,000 unemployed persons in Canada and soon the goods manufactured by these people will keep traffic moving at a rapid pace. We must set to work right now, resolved to find a solution to our problems.

Mr. Fleming (Eglinton): Mr. Spencer, the hon. member has offered none.

Mr. Bourque: The Canadian market is saturated with Japanese goods. Most of these goods should and could be manufactured right here in Canada which would give employment to thousands upon thousands of our unemployed. The textile industry has been greatly affected by our purchases of Japanese goods. Japanese shipments of clothing, textile products and fabrics to this country totalled $40,200,000 in 1960 and $41,500,000 in 1959 as compared with $5 million in 1954. The textile workers union of America recently wired the Minister of Finance pointing out that 35,000 Canadian textile workers had lost their jobs. They demanded immediate government action to curb the flood of imports. In 1951 the textile industry employed 102,000 Canadians and produced 75 per cent of the textiles sold in Canada. They now produce 48 per cent to 52 per cent of the market and employ about 70,000. In the first seven months of 1960 Japan exported to Canada a total of 3,220,000 square yards of man made fabrics against 3,411,000 square yards for the whole of 1959 and 1,049,000 square yards for all of 1958. Based on the above figures, Canada will have absorbed more of these goods in 1960 than in the two previous years.

I should now like to quote from an article by John Meyer which appeared in the Montreal *Gazette* of April 14, 1961:

> The Japanese argument for continued access to the Canadian market on their terms is, heaven knows, familiar enough. The Japanese buy more from us than they sell; they insist that the only fair trade is a balanced trade. They buy a million dollars worth of our goods; we buy a million dollars worth of their goods. The economics of such a contention, if fully applied, would bankrupt Canada in short order. The products we sell to Japan create jobs; the products we buy from Japan destroy jobs.

I have touched only on the textile industry but, apply the same thing to all our industries and you will soon realize what the principal cause of our unemployment problem is.

"Japan Today" written by Christopher M. Young, Southam news correspondent supplies the following information:

> Ninety three million people occupy a land area slightly smaller than the province of Newfoundland where fewer than half a million people live. The busy millions of Japan provide a ravenous domestic market for the products of industry. Despite its huge domestic market, Japan depends for its prosperity on its sales abroad. Its own national resources are limited.
>
> To manufacture in quantity and to feed its people, Japan must buy heavily abroad. To pay for these imports, it must sell heavily abroad.
>
> Japan's markets today are North America, southeast Asia, Africa and Europe in that order. Ninety three million people in a land the size of a small Canadian province simply cannot survive without trade.

We do not want the Japanese to starve but if we import more of their goods Canadians will be threatened not only with increased unemployment but also with starvation. The government must take proper measures to increase available jobs for Canadians and thereby decrease unemployment.

[Mr. Fleming (Eglinton).]

Mr. Fleming (Eglinton): Mr. Speaker, would the hon. member permit a question?

Mr. Bourque: I am nearly finished. You can ask your question after.

Mr. Fleming (Eglinton): Thank you.

Mr. Bourque: There is an urgent need for the establishment of some positive form of Canadian control. There is no question about the desirability of trade with Japan. The question is, to what extent can Canada afford to allow any one Japanese product a predominant position on the Canadian market, particularly when at the expense of Canadian producers and Canadian workers.

Canada, as a nation which prizes human values, must enable all to share its material wealth and lead useful lives. It must find a suitable formula to assure to its citizens full employment, and retrain, relocate and otherwise fit displaced workers for new job requirements and take measures to prevent future vocational maladjustment of young people.

Mr. Fleming (Eglinton): Mr. Speaker, the hon. member was kind enough to indicate that he would be prepared to answer a question. He has indicated his concern regarding the volume of imports of Japanese goods. Would he be good enough now to indicate what measures he would propose to abate, reduce or prevent that inflow of Japanese imports?

Mr. Bourque: I will tell the hon. gentleman what I told him a few moments ago in French. You are the elected and responsible government and therefore if there are any measures to be taken it is up to you to take them. If you assume power thinking that you are going to settle all problems, it is not up to us, but if the minister will telephone me I will be glad to come and discuss the matter with him at any time and give him the benefit of my experience.

Mr. Fleming (Eglinton): I thank the hon. member for his answer. It is quite clear he has no solution.

Mr. Bourque: May I say to the minister that I have a lot of solutions that I will be glad to give him if, as and when he calls me.

Mr. Fleming (Eglinton): The hon. member will not give his solutions to the House of Commons.

(Translation):

Mr. Theogene Ricard (St. Hyacinthe-Bagot): Mr. Speaker, I had no intention of taking part in the budget debate but considering the lack of sincerity displayed by the Liberals and the complaints they made, I have decided to show the other side of the picture.

Since the beginning of the budget debate, we have heard members of the opposition complaining that the Conservative government never presents anything but deficits. Yet, during the campaign which preceded the last by-elections, we heard none other than the Leader of the Opposition (Mr. Pearson) urgently call for deficit budgeting. That is an example of the inconsistency and lack of sincerity of the Liberals. The only thing they are interested in is power, and ever since they have been removed from power, they have not stopped whining. It has become an obsession with them to be in the opposition.

Well, Mr. Speaker, I think they should get used to it because as far as the people of Canada are concerned, they are going to stay there for a long while.

Another very convincing proof of their lack of sincerity is that in the same breath they proclaim themselves leaders in the field of social justice and think of themselves as champions because they have introduced the Unemployment Insurance Act, while at the same time they deplore that Canadian workers are deprived of unemployment insurance benefits.

That is a sure sign of their lack of sincerity. It goes to prove that when they introduced unemployment insurance, they did it merely with a view to extorting money from the workers, because they had no intention whatsoever that the workers should benefit from that legislation. They complain now that workers are taking advantage of the Unemployment Insurance Act that we, Conservatives, have improved and will keep on improving. Let our good friends opposite shed tears and whine. I can understand that after spending 21 years in power they can hardly get used to being in the opposition.

Mr. Speaker, I will only take a few moments to show the other side of the picture. The two Liberal members who spoke before me contended that bankruptcies were increasing under the Conservatives. Well, let us see what the real situation is. I have here *Le Devoir* of Tuesday June 27, 1961. Here is what I read on page 10:

> In the first quarter of 1961, commercial bankruptcies under the Bankruptcy Act and liquidations numbered 729, which means 3.8 per cent less than the 758 a year earlier, whereas liabilities dropped considerably from $78,495,000 to $26,999,000. Average liabilities per bankruptcy were $37,000, compared to $103,600 a year earlier.

However, that will not stop the lamentations of the opposition—they contend that bankruptcies are on the increase in Canada, while the contrary is rather the case.

My Liberal friends seem used to speaking the opposite of the truth and they seem to thrive on it. Opposition members like to spread confusion throughout the country, hoping that it will be to their advantage.

There you have the true face of the Liberal opposition. We should not bear too big a grudge against them—their education is at fault.

I want to report here what the newspaper *La Presse* said last Thursday, June 22. The article was signed by Mr. Eric Kierans, president of the Montreal and Canadian stock exchanges and dealt with the budget submitted by the Minister of Finance (Mr. Fleming). I quote a few excerpts:

> Because of existing conditions, the proposed deficit should mean expansion and not inflation.

And then it goes on:

> From the point of view of the manufacturing industries, the advocated legislation is, on the whole, rather satisfactory. Last week, Mr. Fleming had given to understand that he would bring down a budget to promote economic expansion, and he did.

Further on it says:

> This budget generally, like all the others, will somewhat disappoint those who were expecting special concessions, like a lowering of personal income tax. On the whole it should pave the way to a significant business recovery.

I can understand why the economic upswing should throw the Liberals into confusion: it does not answer their hopes.

Never in this house has there been greater joy in the Liberal ranks than when workers were hit by unemployment. In such cases they lost no occasion to stress the fact that 10, 20 or 50 workers had been laid off. However, they kept silent about the action taken by the government to provide employment.

Again I say unemployment is the best weapon of the Liberals. They like nothing better than to see it grow, and see workers without jobs. It helps their propaganda.

Mr. Rouleau: It is something we deplore.

Mr. Ricard: Something you deplore? It is rather something you enjoy, because every time a lay-off is announced, you rise in this house and ask questions and try to spread fear. That is your way of working on the unemployment problem.

Mr. Denis: That is all nonsense.

Mr. Ricard: Before going on to another part of my speech, I should like to place on the record a statement made by Mr. G. B. Gordon, president of Dominion Textile, who knows more about economics than the coffin expert from Drummond-Arthabaska (Mr. Boulanger). In his remarks, Mr. Gordon has this to say:

The budget will be of some help. He saw some encouragement in the proposals aimed at eliminating the premium on the Canadian dollar and even discounting it in relation to American money. Part of the increased production to be expected from this measure, Mr. Gordon stated, will be directed to the export markets. However, a substantial proportion of the additional goods will be sold on the domestic market.

And he goes on to say:

Moreover, the Minister of Finance did not conceal his determination to bring about the highest possible degree of flexibility in the necessary tariff adjustments, especially those concerning the textile industry and other industries affected by competition from abroad. He stated that he was hopeful on account of the minister's firm intention to avoid the more rigid GATT formulas during tariff re-negotiations, and because of the remarks concerning the recommendations of the tariff board.

Our Liberal friends like to say: "Tory times are hard times".

Mr. Speaker, I have here a newspaper clipping dating back to 1937. The Liberals were then in office. This is how the article reads:

People in the professions were affected like the others. When they went really hungry, they went on relief.

A list of the professions follows. This was happening under our beloved friends, the Liberals, who are striving so hard to improve the lot of the nation. What a joke.

The following statistics are for Montreal and apply to 1937:

Lawyers, 2; notaries, 3; doctors, 2; dentists, 4;

An hon. Member: Name them.

Mr. Ricard: You were one of the briefless lawyers mentioned here; you could not earn a living.

Opticians, 4; nurses, 35; teachers, 51; civil engineers, 6; chemists, 11; accountants, 73; architects, 13; painters, 10; musicians, 51; photographers, 12; journalists, 8.

Mr. Speaker, that is the Liberal balance-sheet. And they are the ones who cry:

[Mr. Rouleau.]

(Text):

If you want to follow me, Mr. Speaker, I shall, during the next few minutes, make a comparison between what was going on during the time those Santa Clauses of prosperity, the Grits, were in office and what we are giving to this country. In 1956 the gross national product was $30,584 million, whereas in 1960 it was $35,959 million. Gross earnings in 1956, Mr. Speaker, amounted to $14,890 million, whereas in 1960 under Conservative government they totalled $18,514 million. Gross personal income under those Grits, those manufacturers of prosperity, amounted to $21,884 million, whereas under the present Conservative government it amounted to $27,442 million. Personal savings under the Grits amounted to $13,020 million, whereas under the present Conservative government they amounted to $16,075 million. Can we honestly say that Tory times are hard times when we have more money, when we are saving more, when we are earning more than ever before in the history of Canada? It takes the hypocrisy of those Grits to stand up in this house and pretend these things. I challenge any one of them to contradict what I am saying now.

They say we have done nothing for the people. Let us look at the record again. In August, 1956, there were 5,892,000 Canadians at work, whereas in 1960 during the same month, August, under a Conservative government we had 6,271,000 Canadians at work. The average weekly earnings—

Mr. Boulanger: From what are you quoting?

Mr. Ricard: Oh, I will come to you in a minute.

The average weekly earnings in different sectors of our economy, sir, were as follows: In 1956, the textile industry had average weekly earnings of $55.96, whereas in November, 1960, textile earnings were $63.51. In the manufacturing industry in 1956, average weekly earnings amounted to $68.72, and in 1960, $79.16; construction industry, 1956, $70.78; 1960, $81.46.

Now, let us see what the taxes were under those Grits who love the workers so dearly. Here is what the Grits were taking from the pocket of a single man earning $60 per week; they were collecting in taxes $7.30, whereas we are collecting from him only $6.05. A married man earning $60 per week had $3.60 deducted from his pay under the Grits, whereas we are collecting only $2.75. A married man with two children earning the same salary paid $2.60 in taxes under the Grits, whereas we are collecting only $1.47 from him. A married man with four dependents had $1.60 deducted from his pay, whereas we are

collecting only five cents from him. In the face of the ignorance of the hon. member for Drummond-Arthabaska (Mr. Boulanger), may I say that those figures were taken from the dominion bureau of statistics.

I should like now, sir, to deal with another item which interests me greatly. I refer to the textile industry, and may I revert to French at this point because I want the hon. member for Drummond-Arthabaska to understand me.

(Translation):

The other day, the hon. member for Drummond-Arthabaska read a letter into the official record. It is not my intention to brag about this, but I should like also to put on record a letter that reads as follows:

Dear sir,

On behalf of the federation—

Of course, Mr. Speaker, this letter is addressed to me.

Mr. Dupuis: What is the date?

Mr. Ricard: July 15, 1959. The letter reads as follows:

Mr. Theogene Ricard, M.P.
Parliament buildings
Ottawa, Ont.

Mr. Boulanger: Mr. Speaker, on a point of order.

Mr. Ricard:

On behalf of the federation—

Mr. Deputy Speaker: Order. The hon. member for Drummond-Arthabaska is raising a point of order.

Mr. Boulanger: Mr. Speaker, before reading that letter, I think the hon. member should tell the house who signed it.

Mr. Ricard: Mr. Speaker, I will give that name in a short while; I would ask the hon. member to wait—he is too anxious.

The letter reads as follows:

Dear Sir:

On behalf of the building workers' federation of Canada, it gives me great pleasure to thank you most sincerely for having honoured us with your presence during the deliberations which marked the thirty fifth anniversary of our organization, for having attended the banquet which was offered on that occasion, and for the good words you had for us in your speech, indicating your interest in the promotion of labour.

Mr. Dupuis: Very badly read.

Mr. Ricard: It is signed:

Yours very truly,
The Building Workers' Federation of Canada,
Per: Jos. Arcand, Secretary General.

Mr. Boulanger: Is that the fascist?

Mr. Martel: Not the same Arcand.

Mr. Ricard: In a speech interrupted by sighs, the hon. member for Drummond-Arthabaska cast some doubts on a statement I made last May 3 to the effect that 11 industries have been established in St. Hyacinthe since the Conservative government came to power. I have here a pamphlet entitled: Statistics concerning the industries established in the city of St. Hyacinthe—

Mr. Dupuis: Who signed it?

Mr. Ricard: —which gives a list of the industries established in St. Hyacinthe. I see the following names: Alan Corporation Reg'd., established, 1957; Lucien Carrier, established, 1959—

Mr. Denis: What do those people do?

Mr. Dupuis: Do they sell hot dogs?

Mr. Ricard: Delly Dress Shop Co., established, 1957; Exquisite Form Brassiere (Can.) Ltd., established, 1959; Jace Tapes Incorporated, established, 1960; Kimberley-Clark of Canada Ltd., established, 1958; Megantic Knitting Co. Ltd., established 1959; Mercury Wire and Nail Co. Ltd., established, 1957; Modern Plastics Co. Ltd., established, 1957; Produits Laitiers Mont Saint-Hilaire, established, 1959; Regent Chocolate Co., established, 1959.

At present, these new industries employ 413 people—

Mr. Denis: Name the others.

Mr. Ricard: I named them earlier.

Mr. Boulanger: Name the industries that closed down.

Mr. Ricard: Mr. Speaker, I should now like to read into the record some extracts from a publication entitled *Quebec Industriel*, May 1957 issue. On page 18, this is what I find:

That is why from 1950 to 1954, almost 70 establishments had to close down, and as a result 21,000 workers were laid off.

It should be noted that this happened at the time of the Liberals, the easy-going, the Santa Clauses—

Mr. Denis: Just Santa Clauses.

Mr. Ricard: Mr. Speaker, these things cannot be repeated too often. The kindly Grits forced 70 firms out of business.

On page 16 of the same magazine, I find this:

> The Canadian primary textile industry is left untouched by the wave of prosperity which is now sweeping the country, notwithstanding the fact that this industry is 84 per cent, under Canadian control, a fact which should earn it our best encouragement. While in 1955, the profits of Canadian corporations were on the whole slightly higher than in 1950, those of the textile industries were reduced to almost one third.

Mr. Speaker, various articles in this magazine have convinced me that it has always been under a Liberal government that tariff rates have been the lowest. As a matter of fact, page 24 reads as follows:

> For 20 years now—
>
> Under the Liberals.
>
> —(except for the depression in the 30's) customs duties on imported textiles have been going down steadily.

And those gentlemen would have the population believe that they were the protectors of our textile industry. In fact, Mr. Speaker, they are the ones who betrayed the industry and, today, because the government has to pay the piper and make good their mistakes, they try to take advantage of the situation. They refer to the 30's, but they forget to say that when they were in power, in 1937, for example, the number of unemployed under a Liberal government—

Mr. Dupuis: Following the Bennett government.

Mr. Ricard: —was 400,000; it was up to 522,000 in 1938 and in 1939, after four years of Liberal administration there were 529,000 unemployed and 423,000 in 1940 for a population of 12 to 13 million.

Those people today shed crocodile tears while we have to rebuild all they have neglected. When the Bennett administration came to office in 1930, the worst crisis in Canadian history had just been prepared by the previous Liberal administrations. Mr. Bennett and his team restored Canada to her feet. And when the 1935 elections came around, the Liberals launched a huge campaign about unemployment. They claimed, as they did in Quebec last year, that they would remedy unemployment overnight.

The figures I just quoted, Mr. Speaker, show their lack of sincerity and their incompetence. I am not the only one who knows that—the whole population of Canada knows it too.

The Canadian people know what good administrators they are in periods of prosperity brought about by war.

They were saved by the 1939-45 war and again by the Korean war. But in 1957, the situation was too difficult and the people of Canada put them where they belong. And today, under a Conservative government our workers earn more than ever before, save more than ever before and more Canadian workers than ever before have jobs. However, this does not deter our Liberal friends from trying to confuse the population, from spreading fear, dread and discord, and this for one purpose only, that of playing petty politics.

Mr. Speaker, as you know, a while ago when the minister asked the hon. member for Outremont-St. Jean (Mr. Bourque) a question, the latter remained silent at first, and then suggested an appointment by telephone. Those people, as their past arrogance has shown, have never been able to come down to the grass. They admit it now—they had lost contact—

(Text):

They lost contact between the brass and the grass and they have lost it for a long time, for the good of the Canadian people.

(Translation):

Mr. Rouleau: I should like to direct a question to the hon. member for St. Hyacinthe-Bagot (Mr. Ricard). Could he tell me what the political speech he delivered tonight has to do with the budget introduced by the Minister of Finance?

Mr. Ricard: Mr. Speaker, if the hon. member for Dollard (Mr. Rouleau) finds himself lacking in intellectual capacity, it is too bad, but I would not like to waste any more of my time.

Mr. Boulanger: Mr. Speaker, I should like to direct a question to the hon. member.

Mr. Deputy Speaker: The hon. member's time has expired.

Mr. Denis: Saved by the bell.

Mr. Dupuis: As for Mr. Fleming, he fled before the bell—he had had enough.

(Text):

Mr. M. W. Martin (Timmins): Mr. Speaker, throughout the first two days of this debate I wondered what had happened to the hon. members on the government side. I finally came to the conclusion that they were stunned by this budget.

Some hon. Members: Oh, oh.

Mr. Martin (Timmins): Now apparently, while their condition has not changed, listening to the government members today I see that at least they have got their speech back.

We have heard this budget; we have seen the reaction to it of hon. members on the government side; we have seen the reaction to it of hon. members of the opposition. I think it might be interesting for a moment to look at the reaction to this budget expressed in some of our newspapers. For example, in the *Globe and Mail* of June 27, in an article by Mr. Bruce MacDonald we find the following words:

> Failing any change in policy, Mr. Fleming, who has a vested interest in the silver lining in the clouds,—

What a beautiful description that is of our Minister of Finance:

> Failing any change in policy, Mr. Fleming, who has a vested interest in the silver lining in the clouds, conceded in his budget that only a modest increase in gross national production of 3 per cent is to be expected this year.

Then he goes on to say:

> When he brought down his budget in March, 1960, Mr. Fleming failed to see any basic weaknesses in the economy and denied that the deficit balance of payments presented any real problem.
>
> In his budget last week, Mr. Fleming said a substantial reduction in the imports of goods and services had become urgent in order to reduce the deficit balance of payments.
>
> Whether or not there are any structural defects in the economy, it is apparent from the minister's own statement that something must have gotten badly out of balance to allow this situation to develop.

That brings us to the headline of that article, which is:

> Face swift relapse if Fleming fizzles as medicine man.

I suppose "medicine man" there means someone in the nature of a prophet. I am afraid that if the Minister of Finance is no better a prophet this year than he was last year we are in for some mighty serious trouble. Let us take a look for a moment at what happened last year. Last year when the minister brought in his budget he forecast a surplus of $12 million, and wound up at the end of the year with a deficit of some $353 million. In other words, the situation was about 30 times as bad as the minister forecast when he brought down his budget.

This year he has forecast a deficit of $650 million, plus another $330 million for other cash requirements of a statutory nature. In other words, he is forecasting a deficit of $1 billion. If the situation is 30 times as bad as his estimates for next year, as was the case last year, and if the Minister of Finance is as wrong in his guess, we can look forward to a deficit of $30 billion next year. I do not think even the maladministration of this government can get us quite into that kind of situation.

An hon. Member: You never can tell.

Mr. Martin (Timmins): I believe I heard an hon. member say, "You never can tell", and perhaps he is right. I should like to read from another article in the *Globe and Mail* of June 22. This is a summary taken from various newspapers across the country giving their opinions of the budget. I am not going to read them all. However there are two that I think are worthy of note if for no other reason than that they list themselves as independent newspapers. The first one is taken from the Victoria *Colonist*, and from what I hear of the Victoria *Colonist* it is just about as independent politically as is the Minister of Public Works (Mr. Walker). It says:

> In letting Canada go further into the red by $1 billion—$650 million in a budgetary deficit and $330 million for other cash requirements of a statutory nature—Mr. Fleming apparently feels that the upturn in the economy is already well under way, and needing only minor pump priming. It would be safest perhaps to say at this stage that it is a mildly protectionist budget, but one that shows Canada is in no way anxious to erect new tariff walls—

And so on.

If this analysis is correct and this is a mildly protectionist budget, what is all this talk about expansionism that we have been hearing?

Mr. Churchill: On a point of order, Mr. Speaker, I dislike interrupting the hon. gentleman, who normally makes a very effective contribution to debate in the house, but I think he is now infringing the rule. The hon. member is quoting from newspapers which are reflecting upon proceedings within the house, and he is doing this for the purpose of attempting to influence decision in the course of debate here in the House of Commons.

In Beauchesne's fourth edition, on page 133, there are two citations which I think are worth considering. In citation 157, subsection 5, Beauchesne says:

> It is not in order to read articles in newspapers, letters or communications emanating from persons outside the house and referring to, or commenting on, or denying anything said by a member or expressing any opinion reflecting on proceedings within the house.

Subsection 6 reads:

> On the 17th March, 1933, a member quoting a newspaper in debate was ruled out of order by the Deputy Speaker who said: "The rule is quite clear, that the quoting of a newspaper, an author or a book which reflects upon debate before the house, either directly or indirectly is entirely out of order, because members are here to give their own opinion and not to quote the opinion of

others... Members may quote an article or a book stating facts, but a commentary on any proceeding or any discussion in the house, with the object of swinging an opinion to one side or the other, is out of order".

I think the hon. member who has been addressing the house has been using these quotations from newspapers in order to attempt to affect opinion here in the course of debate. I suggest to you, sir, that according to the rules the hon. member is out of order.

Mr. Regier: Wait till the Prime Minister does that.

Mr. Martin (Timmins): Mr. Speaker, I have no wish or desire to transgress the rules of this house. I only hope that the minister is as quick to check the Prime Minister the next time he starts quoting from newspapers.

Mr. Speaker: There has been a good deal of quotation in the course of the budget debate. As long as it is in general terms relating to the budget as a public issue I think it might be acceptable to a limited extent. However, when it does get to the point of direct reference to proceedings in the house, what the minister says in undoubtedly true. Therefore I trust that the hon. member will limit his quotations to those which do not reflect on the proceedings in the house.

Mr. Martin (Timmins): Well, Mr. Speaker, rather than tread on the tender nerves of the hon. minister—

An hon. Member: How about following the rules?

Mr. Martin (Timmins): I think possibly I had better paraphrase some of these statements.

Mr. Churchill: Use your own ideas and not somebody else's.

Mr. Martin (Timmins): May I say, Mr. Speaker, that the quotations I have been reading are a reflection of my own ideas, and although I may have found them in a newspaper they none the less correspond completely with my own thoughts, particularly what one prominent newspaper had to say. It went something like this, that we are still in an era of improvisation and groping. There was another article which I believed described the situation very well and the headline, as I recall it, was to the effect: "Too little, because too late". It suggested, as we have suggested so often in this house, that by the time this government gets around to applying a measure to solve some situation, unfortunately the situation that it is trying to solve is some 20 years old and a whole new list of problems has grown up in the meantime.

[Mr. Churchill.]

The *Globe and Mail*, that good old friend of the Conservative party, after offering some mild criticism, went on to agree completely with the government. I hope the minister does not take any objection to that. It pointed out that the minister had emphasized the need to maintain at all costs the good old private enterprise system and added that the minister had listed a number of worth-while measures which the government intended to take. For example, they were going to increase the depreciation allowance for business; there were three or four different measures they were going to adopt in order to bolster industry and business, and the reason for this was because it had been requested for a long time. But there are also many other things which have been requested for a long time; I do not see them in this budget and I do not think anybody else can see them either. For example, for a long time people have been recommending a decrease in income tax or, possibly, an increase in exemptions under the Income Tax Act. I fail to find anything of that nature in the budget. The same thing applies as far as the sales tax is concerned, a tax which affects each and every individual regardless of his circumstances. The unemployed have been looking for jobs for a long time, now. But there is nothing in this budget to indicate that they are not going to continue to look in vain.

Nevertheless, there is one thing we can find in this budget. We have noticed it already. The old age pensioners have something to look forward to in this budget, and it is not an increase in their pension. It is an increase in their cost of living brought about by the measures taken by this government.

What are these Tory measures? What are these measures which the minister advocates and which receive so much praise in the Tory newspapers? Well, it follows the good old Tory policy that the only solution they can find is to try to help business, to let the "haves" get away with more and more. As a result, we shall have to soak the "have nots" to make up for it. What amazes me is that both the minister and this government and the Tory newspapers go blindly along this road completely ignoring the fact that they have been trying these measures for 94 years and that is what has gotten us in the mess we are in today. I do not know how many times they will have to be shown this before it will ever sink into their heads.

I wish, Mr. Speaker, that I had the time and the facilities to tally up the measures passed by this government in the last four years and see how many of those measures were designed to prop up business and how many were in the interest of the individual taxpayer. I think it would be an impressive

score. It seems strange to me that this government cannot understand that there are only two ways in which we can run a country. One is to raise enough money to do it and the other is to borrow enough money to do it. Apparently this government has decided that the only way they can accomplish it is by the second way. They refuse to do it the first way but they adopt the second solely for the reason that by doing so they can fool the public for a little while longer.

There is one bright side to our economy today, and only one that I can see. That is housing, the bright spot in the building industry. It is interesting to find out just why. We find that in an article by Farrell Crook in the *Globe and Mail* of today. We find that activity in the over-all construction industry is up some 16 per cent compared with the same period in 1960. Why is it up 16 per cent? We find that the Central Mortgage and Housing Corporation reports that in the first five months of this year starts were made on 29,337 dwelling units in centres of more than 5,000 population, a jump of 40.7 per cent compared with last year. So it took a 40.7 per cent jump under this socialistic measure to give us a 16 per cent increase in our over-all picture. If we look through further we find out again why—it was because the free enterprise part of our construction industry, according to contract awards, is down 30 per cent as compared with last year. It makes me wonder just how long this self-illusion on the part of this government can be maintained; how long they can hang on to the idea which is propounded by the Prime Minister in his clarion call that the next election should be fought on the issue of free enterprise versus socialism.

Bad as the situation has been, I wonder whether the government has stopped for one moment to think what the situation would have been like over the last three years if it had not been for our old age pensions, our old age security payments, our blind and disabled pensions, our veterans pensions, family allowances and unemployment insurance, building and construction under the Central Mortgage and Housing Corporation, our industrial development bank, our much lauded winter works program, our home improvement loans and public works department construction? Had it not been for all these measures—measures which I do not think anyone by any stretch of the imagination could call free enterprise measures—we should be back exactly where we were in the early thirties. Our country would be in chaos.

I think it is interesting to note what the *Economist* of London has to say about the over-all situation in Canada. I should like to quote from an editorial which appeared in the Toronto *Daily Star* of June 3, 1961 entitled "Plan for Growth" which reads as follows:

> One of the western world's most authoritative and respected publications, the *Economist* of London, says Canada faces a bleak decade unless it re-examines its ineffective economic policy and begins to plan for something better.

Mr. Lambert: Gloss upon gloss.

Mr. Martin (Timmins): This editorial then quotes from the *Economist*, as follows:

> "Entirely new planning arrangements bringing together the public and private sectors, are urgently necessary.
>
> A new purposive sense is needed in the federal government's economic thinking."

The editorial then continues as follows:

> The fact is that Canada is one of the few industrial nations to scorn national planning.

It is needless to add that it is also one of the few industrial nations with an unemployment problem today.

The editorial continues:

> The closest we have come to it is with the new national productivity council, which seeks to find ways in which our resources in manpower and machines can be used more effectively, but it must rely primarily on exhortation to industry and labour.

How many times have we heard the ministers of this government stamp up and down the country exhorting labour and industry to try and do better in the future but apparently each exhortation falls on deaf ears because we have not seen very much improvement. The editorial then continues:

> The contrast between this limited function and those employed elsewhere is startling. Whether in Europe's "common market" or in the Red bloc, planning is a vital fact of economic life. And even south of the border, in that bulwark of free enterprise, U.S. presidents have had the help of a council of economic advisers.

The editorial continues, as follows:

> If we as a nation are to grow and prosper; if we are to adjust our efforts to the conditions in the new and thoroughly planned world, we ourselves better begin planning.—For, as the *Economist* suggests, the alternative is continued decay.

Mr. Speaker, I have one more article here which I think is apropos of this debate. I should like to read a portion of an article appearing in the *Globe and Mail* of June 27, 1961 writen by Ronald Anderson entitled "Economy at Midyear", which reads as follows:

> In the first quarter, the economy made no improvement. National accounts figures, to be released later this week by the dominion bureau of statistics, are expected to show a sideways drift, possibly a slight decline, up to the end of March.

When I read that statement it reminded me of the words of Samuel Taylor Coleridge

as they appear in his poem, "The Ancient Mariner". That verse goes something like this:

> Day after day, day after day
> We stuck, nor breath nor motion,
> As idle as a painted ship
> Upon a painted ocean.

Then of course things changed as of March 31 and we started to move, as indicated by the headline "Upturn Well Under Way, But Some Sectors Slow". In other words, it is a trip on the Diefenbaker track, one step forward and two steps back. I remember another verse of "The Ancient Mariner" which fits this situation very well. It goes something like this:

> The sun right up above the mast
> Had fixed her to the ocean,
> But in a minute she 'gan stir
> With a short uneasy motion
> Backwards and forwards half a length
> With a short uneasy motion.

I think that is an excellent description of the economy of this country.

Until such time as our government endeavours to find or finds a solution different from that they have tried unsuccessfully so many times in the past, I am afraid, like the ship on the ocean it is going to go back and forth with a short uneasy motion.

Of course there is one measure contained in the budget about which I expect we will hear a great deal for the next few months and that is the 7½ per cent cut in excise tax on automobiles. Certainly for the residents of my area and others in the province of Ontario this is not a cut at all because in the first place only 3 per cent of that cut will be given to the province. As a result of the dominion-provincial fiscal policies this government is now adopting the province of Ontario beginning September is imposing a 3 per cent sales tax which will in effect take up 3 per cent of this 7½ per cent. That means that our saving is cut down to 4½ per cent. Our dollar has already dropped five cents which means that we have lost half a step on the triple T already—that is the Tory tax treadmill. We are not even to start off.

I sometimes wonder in view of all the talk we have heard about unemployment and the cures for unemployment, and so forth and so on, whether this government really wants to cure unemployment. I wonder if this government has fallen so far under the domination of industry that it is now thinking what many in the industrial field advocate, that it is very nice to have a pool of unemployment because it makes unions behave and prevents strikes, or if it does not prevent strikes, it breaks strikes. I never fail to wonder at this very blind and shortsighted view on the part of industry. I cannot understand why they do not realize that unemployed people are unable to buy the products which they produce. That has always been a mystery to me. I do not understand why governments do not realize that unemployed people not only are a drain on the federal treasury but also a loss to the potential income of the federal treasury. To allow this unemployment to continue—both on the part of industry and government—is merely to cut off your nose to spite your face.

If industry gets itself in trouble it has found a much more friendly ear in this government than have the unemployed. Perhaps that is one of the reasons industry carries on the way it does. Maybe it feels that because it in the main was where the money came from to elect this government that this is its government. Certainly there is nothing in this budget to prove otherwise.

Mr. M. J. A. Lambert (Parliamentary Secretary to the Minister of National Revenue): Mr. Speaker, in the early stages of this debate it was rather difficult to assess the true position of the official opposition as regards this budget. Certainly during the first day we were not given any true inkling. We have, however, had more time to find out what hon. members in the official opposition thought after the second day of the debate and their almost exclusive participation in it.

The member who just resumed his seat wondered why hon. members on this side of the house did not participate beyond a certain stage in this debate. Frankly, as far as I am concerned, it was because I felt that I should participate in a debate, and up until that time nothing had been said which could be debated.

Mr. Martin (Timmins): The minister spoke for three hours.

Mr. Lambert: The minister has spoken but I do not have to re-echo his words to participate in the debate. When I wish to participate in a debate I shall exchange thoughts and criticize the thoughts of others, but when there is an absence of thinking on the other side we just stay out of it until we see what they have to say. Hon. members opposite were given full scope and while they have filled many pages we are not much wiser even now. Frankly, Mr. Speaker, the reason is that the Liberal party is at sixes and sevens in its attitude toward the budget. Fury and storm have been promised, a real side-raking, slashing attack, but apart from the exhibition put on by the hon. member for Bonavista-Twillingate (Mr. Pickersgill) there has been none of that fury and storm.

We did see a frenzied and, I would add, rather frantic performance by the hon. member for Bonavista-Twillingate exceeded only

in slight degree by that incredible speech of last night in another debate. Had he not been suffering from a bad case of foot-in-mouth disease, and we have heard the reference to gutless chickens and his confessions about letters from constituents and elsewhere, we would have thought that he was putting on a display of histrionics in competition with the dramatic festival of much greater note and worth at Stratford at this time.

However, the prerogative of putting on that great dramatic show is reserved for his running mate, the hon. member for Essex East (Mr. Martin), as he thunders away, as he postulates and postures, as he plays to the gallery, always in mock indignation oblivious of all but the self-intoxicating volume of his own exuberance.

But other than these minor blows there has been none of that fighting attitude that had been announced with such fanfare and such ballyhoo and, as we know now, such false bravado last January. That bravado has been displayed from time to time since then but, Mr. Speaker, there is a curious parallel between 1961 and 1958. In 1958 there was a conclave in January. To the sound of trumpets and a great to-do the Liberals came up posturing for a fight. There was a great thumping of chests, cries of bring on the lions, and after a violent travail those of us who were here in January, 1958 saw the Liberals give birth to a puny runt of a mouse. How the people of Canada reacted to that mouse was well recorded some two months later.

Again in 1961 we have had the sound and fury, the January conclave, the trumpets and the ballyhoo, the threatening growls and, quite in keeping, the puny runt of a mouse. That mouse is the amendment put forward by the genial member for Kenora-Rainy River (Mr. Benidickson) as financial critic for the official opposition. Not for a moment do I believe that the hon. member is the author of that amendment. He certainly was not the author of that other notorious and unlamented—by the Liberals—amendment of January, 1958. We rather know who was the author or at least the inspiration for that one. I would say the same for the present amendment. That busy, busy man of the Liberal party I think was not too far away when the present amendment was concocted.

I had some other remarks about his inspirational authorship last night, and if one credits the number of stories about the hon. member's activities prior to his entry into the house, then he is keeping quite in character. Truly sir, this amendment really says nothing. Let us look at it.

> This house is of the opinion that the financial proposals of the government, as set forth in the budget presented to this house by the Minister of Finance and contrary to the advance publicity—

I ask, Mr. Speaker, whose advance publicity? That of prognosticators in the press? After all, they have a right to speculate, but that was not advance publicity from the government.

> —are restrictive of trade and thoroughly inadequate to expand the production and jobs needed to ensure the growth of the economy, despite the burdens imposed by a fifth consecutive deficit of a record size.

We will talk about deficits a little later, Mr. Speaker, and about the attitude of the Liberal party toward deficits, their attitude since 1958 and what their program since that time has meant in potential expenditure.

> And the house believes that for this reason, and because of the general mismanagement of the country's financial affairs, the government is not entitled to the confidence of the elected representatives of the people.

These last few words are very reminiscent of 1958 and for that reason they mean just as much as they did then. My only thought is that obviously this amendment is intended to gain the support of the hon. members of that group which is casting about for a name and for a leader but can quite easily answer to the name of the third party. Not only do the Liberals in this house seek to garner unto themselves the elected representatives of that new party but it would appear that the order may have gone out to do the same at the lower echelon; at least, so the young Liberals would appear to have thought in Toronto last week.

I think the hon. member for Kenora-Rainy River deserves a better fate than to fight the cause of such an amendment. His was a curious speech but because my colleague, the hon. member for Carleton (Mr. Bell), has dealt at some length with last Thursday's opener by the opposition financial critic I shall make but one or two short comments. First of all, there was an unseemingly long dredging into the past for items of speeches, for statements, some reported accurately and some otherwise, statements taken out of context, glosses put on statements, excerpts from the red bible. I wonder whether they have the red dean too. How that book has been in evidence. On all of the glosses, the excerpted statements, the hon. member built up a number of men of straw. Oh, he worked hard and tortuously to get these creatures to stand up so as to be identifiable at least, but just as hard he worked to knock them down. To what purpose? To consume the major portion of his speech.

I would say that he neglected most of the really important items in the budget. What of the tariff changes? We had heard the hon.

member on previous occasions speak at great length about tariffs and yet this time I do not recollect having heard him so speak. As financial critic, surely he would have had a good deal to say about the provisions for dominion-provincial fiscal arrangements. These were concretely stated and were not something intangible like the possible effects of the devaluation of the dollar which has so many indefinables. But then I suppose such a course of action as he took was more in keeping with the Cassandra-like mood of the hon. member the other day.

Surely if he were really interested in the economic welfare of the country he would have dwelled much more on the changes concerning the industrial development bank, for instance. These are two-pronged and are most important, and I intend to discuss them in more detail later.

However, Mr. Speaker, the official financial critic was subsequently followed by the hon. member for Bonavista-Twillingate who gave the first of two speeches in the last four or five days which indicate that the hon. member is finding the session long. I am not going to refer to yesterday's effort, but last Thursday evening's effort was quite a contrast with the reasoned though laboured effort of the opposition's opening critic. There was no intelligent development of argument. It was a resort to invective, to personal vilification of the Minister of Finance and of the Prime Minister. One would say there was smear by innuendo and of course there were exaggerated gestures and language. I do not think the indignation he showed was as synthetic, and certainly was not of the order of that which we often get from his running mate, the hon. member for Essex East.

However, there was one thing he said with which I agree. At one stage the hon. member for Bonavista-Twillingate gloated that he was not thin-skinned. Well, Mr. Speaker, I will agree that at times he has the hide of a rhinoceros. The other night, however, I believe he displayed other characteristics of that animal, certainly in so far as the intelligence of his speech was concerned. Thursday was a bad day for the hon. member as was indicated earlier by the hon. member for Halton (Mr. Best). "Gutless chicken" will be as long remembered as "Canadian babies".

I thoroughly enjoyed the spectacle of the hon. member for Trinity (Mr. Hellyer), that coiner of pat phrases. I have had experience of him in last year's committee on defence expenditures. He has not changed a bit. On all and sundry occasions we hear flat assertions from him, relying for their validity on the fact that they are statements by the hon. member. He had a great deal to say about planning and tried to chide the government for a lack of planning. His remarks were general, I point out, and applied to no particular sector.

This love of planning exhibited by the hon. member for Trinity is touching. He was one of the co-chairmen of that famous January conclave. He was one of the backroom boys, sir, who steered the meetings, the conclusions and resolutions. We know just what the result was. If there was any vestige of planning in what came out of that January meeting of the Liberals then the hon. member for Trinity stands alone in the Liberal party in his great love of planning. Of course, we all remember the Pearson plan of 1958. We recall it rather dimly, mind you, because it lived for two short months and has been buried for the past three years.

The hon. member for Trinity tried to make much about the reduction of taxes. He dug into the past, into 1956 and early 1957 for excerpts of speeches by the Prime Minister. Then, the red book came out. He forgot, though, about the reduction in taxes in late 1957 which were worth about $178 million. There were reductions in the rates of personal income taxes, increases in the exemptions of children. Of course, one can forgive the hon. member for Trinity for forgetting that because he was not here then. Undoubtedly, he has forgotten these minor items as well as the upward revision from $25,000 to $35,000 of corporate profits to which the lower 21 per cent rate applies. If this is not lowering taxes, then I do not know what is.

A great deal was said by the hon. member for Trinity about deficits. This was echoed by other members of the opposition, the hon. member for St. Jean-Iberville-Napierville (Mr. Dupuis) and others. However, they conveniently forgot what their leader said about deficits in 1958. He cheerfully promised tax cuts up to $400 million in addition to the $178 million that the Conservatives had put into force in 1957. What has become of the promise to aid young married couples about which we heard so much? We know that the other day they supported increases in family allowances. What about the plan to bring spring wheat, oats and barley under definite price supports? Wheat was supposed to be $1.50 per bushel in 1957 and 1958. This program would take a lot of money, but the Leader of the Opposition was quite candid about it. He cheerfully accepted the fact that he would have to engage in heavy deficit financing.

I would ask hon. members of the opposition, why all this lately discovered concern about deficit financing by their group? Let us ask

them the cost of that great platform of January, 1961. I have heard the estimate put as low as an additional $1,000 million and as high as $1,600 million. Certainly, though, no Liberal who participated in the production of that famous platform has ever publicly admitted that fact, and certainly not the leaders of the Liberal party. They have not admitted the cost of these programs. Unless they are prepared to increase taxes to meet the cost of these items, they are going to have to engage in deficit financing. If they are not so prepared, then the whole program is a sham to deceive the Canadian people. When one considers the added cost today of the $270 million annually for hospital insurance which the Liberals did not have to face prior to 1957, the Liberal program of last January makes absolute nonsense of the opposition's lamentations about deficits, and even greater nonsense of the plea of hon. members such as the hon. member for Maisonneuve-Rosemont (Mr. Deschatelets) for tax cuts across the board. I said earlier that the Liberal party was at sixes and sevens in its reaction to the budget. We have had more than ample proof of this fact, Mr. Speaker.

I should like now to turn briefly to the speech of the leading C.C.F. member, the hon. member for Burnaby-Coquitlam (Mr. Regier). All I can say is that the part of it in which he made direct reference to the budget beggars all description as to its logic. The hon. member complained about exploratory exemptions, and so forth, which he said led to the reckless expansion of our resource industries in the last few years. I should like to see him come out to Alberta and say that. I challenge him to come out there and say that. I defy him to go to any part of the country in which development programs such as we saw in connection with oil and gas, resulted in economic growth in many sectors of the country and tell that part of the country that we have had reckless expansion.

His lack of logic was illustrated in his next remark when he lauded the higher level of the gross national product in those years. How can he reconcile his two arguments? We have these developments of our resource industries which have contributed, in the main, to the development of the gross national products and will continue to do so. He approves of this increase in the gross national product, but he spent a good deal of his time chiding the government because there had been a decrease in the rate of increase in the gross national product. His logic was completely lacking in this argument.

I did say, sir, that I would refer to the industrial development bank. We have seen a great need in this country for medium and long range financing in all types of business enterprise. The banks do a good deal of financing. The Canadian chartered banks have a record for which they have no cause to be ashamed. They certainly have participated to the full in the economic growth of this country. However, by reason of their structure and the limitations of the Bank Act, they cannot engage in this medium and long range financing. There has grown over the years, therefore, some use of the industrial development bank in a limited sector. We will now see that use expand in so far as these facilities are available to industry in this country.

If I might make a gentle suggestion to the Minister of Finance, it would be that the true spirit of the amendments to the Industrial Development Bank Act be carried out in the regulations and that we do not hamper or inhibit the use of the credit facilities under the Industrial Development Bank Act. That is one side of the amendment to the Industrial Development Bank Act. However, there is another side and this is a point on which I am glad to see that the Minister of Finance has acceded to the representations which were made not only by myself but by other hon. members and by various organizations throughout the country.

I refer to the fact that in this country, as the minister indicated as found at page 6647 of *Hansard* in the second column, on accasion problems arise where the principal owners of a firm, be it a family owner or otherwise, are facing or anticipating difficulties in connection with estate taxes. We know of instances in which national firms may be developed through the enterprise, genius and drive of two or three men; those men provided the key to the success of that firm. They may be all able to insure one another so that if, for some reason, one of them should disappear, they are able to buy in his interest and to maintain it within the firm. They are not obliged to sacrifice in order to deal with estate taxes or to settle with the deceased partner's estate and so on.

But there are instances—and I know of some very difficult ones—in which one of the persons involved is not able to get the insurance. There is no means whereby provision can be made for those funds required to clear up the estate taxes or to purchase the interest of the estate. It is suggested that under the Industrial Development Bank Act the bank may be able to participate in the purchase of the shares and in that way to assist the remaining members of the company to keep it together, so that it will not have to be sold at fire sale prices. Again, there is the case of an individual who anticipates that he is not long for this world and that he is going to have quite a sizeable estate.

I know of one case that was referred to me some time ago by the gentleman concerned. His estate will have to pay a very heavy estate tax, and he does not object to paying it; but in order to raise the cash for that purpose, that business will have to be liquidated possibly at fire sale prices, under forced conditions, to the detriment of the estate and any continuing business interest they may have. Yet, on the other hand, today he has offers from foreign interests to buy his business as a going concern. He can take cash to protect his family and to take care of the estate tax problem. But on the other hand, the loss has been that of Canada because a flourishing business has had to be sold to foreign interests. Here again, if I may make a plea to the Minister of Finance, I would express the hope that the regulations, which will embody the spirit and principle of the Industrial Development Bank Act, will be so fashioned and interpreted that we can get the maximum use of it.

I have not referred in very great detail to the provisions of the budget, Mr. Speaker. The Minister of Finance gave a clear picture of those provisions. Hon. members have copies of all of its provisons. I commend it to them for those features which will give to the people of Canada those necessary incentives to improve the economic climate of this country. It is positive action such as that embodied in this budget which will create the right atmosphere for the people of Canada to go forward and not the carping criticism and denigration which we have heard from far too many members of the opposition. Mr. Speaker, I would commend this budget to hon. members of this house and to the people of Canada.

Mr. C. W. Carter (Burin-Burgeo): Mr. Speaker, the budget now under debate presents some very interesting contrasts with previous budgets that have been brought down by the Minister of Finance (Mr. Fleming). The increase in wordiness and the decrease in information have already been commented on by various hon. members. I do not think anything more need be said on that score. However, when we examine this budget in the light of last year's budget we can surely be pardoned if we question the accuracy of the minister's economic forecasts and the competence of this government to manage the financial affairs of our nation.

In March, 1960 the minister told us he was budgeting for a surplus of $12 million. In December, 1960 he came and told us the $12 million surplus had now somehow turned into a $286 million deficit. A few days ago he told us that on March 31 instead of a $286 million deficit we were going to have a $345 million deficit. These figures hardly inspire

confidence in the minister's judgment. I can remember the time, and it is not so many years ago, when the minister rather prided himself on the accuracy of his forecasts. He now seems to have given up completely in despair. He told us that we were moving out of a recession and that, even if there were no changes in the budget proposals, we could expect a three per cent increase in our gross national product. He refused, however, to predict how much extra increase would be brought about by his budget proposals. He has now come to the point where he will not even predict what his deficit will be. He cites a figure of about $650 million to $700 million and provides himself with a comfortable margin of $50 million even on his deficit.

With respect to the competence of this government in managing our national affairs may I say this. This government has produced a deficit every year since it took office. There have been four successive deficits and a fifth deficit of $650 million is predicted for the current year. The result of these deficits has been to add over $2 billion to our public debt and to increase our interest charges to about $800 million, making them now the third highest item of federal expenditure, second only to national defence and national health and welfare, When we consider all these things, we can hardly regard this performance as an example of good national housekeeping.

There can be no disagreement, however, with the objectives of the budget; to get our economy rolling; to create jobs; to lower interest rates; to finance a greater proportion of our industrial expansion with Canadian capital. Everyone will welcome the tax cuts on automobiles and the other measures such as research allowances, exploration and development allowances and the extension of the operations of the industrial development bank. All these will receive, I believe, general approval.

However, when these proposals are viewed in the light of our national problems, problems of unemployment, economic slow down, the problem of underdeveloped areas and our unfavourable balance of international accounts, then there is room for a great deal of doubt both as to their adequacy and their effectiveness.

Here, Mr. Speaker, I must record my personal disappointment that apart from the extension of the operations of the industrial development bank this budget contains nothing whatever to stimulate the economy of the Atlantic provinces—

Mr. Morris: Who wrote the speech you are reading?

Mr. Carter: I am not reading it.

Mr. Morris: You are reading a speech. Who wrote it?

Mr. Carter: I wrote it myself; I write my notes myself. I do not have to come to you or anybody else to write my speeches.

Mr. Denis: You all do that.

Mr. Peters: Why didn't you look around this afternoon when four or five members read their speeches? You did not say anything then.

Mr. Denis: Didn't you see the hon. member for Joliette-L'Assomption-Montcalm (Mr. Pigeon)?

Mr. Speaker: Order. I am having great difficulty in determining who has the floor. I think it is the hon. member for Burin-Burgeo.

Mr. Carter: Thank you, Mr. Speaker. In particular my constituents will be disappointed that apart from putting net making machinery on the free entry list, bringing it down from—

Mr. Morris: Mr. Speaker, on a point of order, the hon. gentleman is reading his speech and has been reading it up to this point. That is against the rules.

An hon. Member: Shame.

Mr. Robichaud: The Secretary of State (Mr. Dorion) did the same thing this morning.

Mr. Speaker: What has the hon. member to say to the point of order?

Mr. Carter: Mr. Speaker, I think it is well known that I am not in the habit of reading my speeches in this house.

Mr. Morris: On the point of order, Mr. Speaker, the hon. gentleman is holding the script from which he is now reading his speech.

Mr. Robichaud: Shame.

Mr. Speaker: The practice of the house, and the rule of the house nominally is against the reading of speeches, but in the final analysis it rests with hon. members to observe the rule. If the hon. member indicates he is not reading the speech, the house will accept his statement.

Mr. Carter: Thank you, Mr. Speaker.

Mr. Pallett: The hon. member has not said he was not reading it even yet.

Mr. Carter: No, Mr. Speaker, I am not reading my speech. I have some notes to which I am referring, like every other hon. member.

Mr. Habel: He is not reading a newspaper, like you did the other day.

Mr. Carter: I am quite willing to send them up to Your Honour, if Your Honour wishes to verify it.

Mr. Speaker: Would the hon. member proceed?

Mr. Pallett: Have you lost your place? It is the fourth line from the bottom.

Mr. Morris: Read on.

Mr. Carter: I was saying, Mr. Speaker, that my constituents will be particularly disappointed that apart from putting net making machinery on the free entry list, bringing it down from the most favoured nation tariffs, which means a reduction of only 5 per cent, there is nothing whatever in this budget to assist the fishing industry.

I wish to refer to the recommendations of the Fisheries Council of Canada. Here I am going to read quite extensively from my notes, Mr. Speaker. I am going to read the recommendations of the fisheries council from notes rather than from the letter which I have here. It is more convenient and I think I will save time by following this procedure. The recommendations of the Fisheries Council of Canada that free entry under item 682 be extended to include trawl doors, inflatable life rafts, aluminum fish boxes and pen boards, cordage with metal strands, salt fish dryers and parts, and electrical generating equipment have been completely ignored. Even their request that the 15 per cent duty on anchors weighing under 40 pounds should not apply to commercial fishermen has been refused.

It is doubtful whether the depreciation of the value of the Canadian dollar will be of very much benefit to fishermen. It is true that it will make fish exporters more competitive, but the New England fishermen are already complaining that our fish products are too competitive in their market. While it may tend to increase profits of fish exporters, there is no guarantee whatever that this increase in profits will be passed on to the fishermen in terms of higher prices. On the other hand, their cost of living will rise, and rise substantially. As other hon. members have already pointed out today, not only will their cost of living increase, but their cost of production will also increase because most of the equipment that the fisherman uses, in my province at least, has to be imported.

In view of the risks involved in using the exchange stabilization fund to depreciate the value of our Canadian dollar there is great room for doubting even the wisdom of this proposal. The most heartening thing about the present budget is that the minister has at least conceded that our Canadian economy

is sick. However in this budget, as in previous budgets, the minister seems to have overlooked two very important factors. These are that no matter how accurately he has diagnosed our economic ills, and no matter how good the remedies he has prescribed, there are still two things necessary to make them effective. These two things are the intelligent co-operation of the people and the confidence of the public, particularly of the business community.

The minister cannot expect to get the intelligent co-operation of the people if they do not understand what is required of them and why. I want to suggest to the minister that the wordiness of his budget tends to defeat these two very desirable and necessary ends. If a person comes to me and spends 20 minutes saying something that could be said in five minutes, that certainly does not inspire my confidence in him.

Mr. Fleming (Eglinton): Would the hon. member permit a question?

Mr. Carter: Yes, certainly.

Mr. Fleming (Eglinton): Is this not the hon. member's second speech in the course of the budget debate?

Mr. Carter: Yes, Mr. Speaker. The first was on the—

Mr. Fleming (Eglinton): And did the hon. member not spend some time on this very same theme in the first of his two speeches in the course of the debate?

Mr. McIlraith: That would be as repetitious as the minister's budget speech itself.

Mr. Carter: Mr. Speaker, I am repeating it to lead up to a very important point which I do not want the minister to miss. Mr. Speaker—

Mr. Morris: Don't obscure it in verbiage.

Mr. Carter: —I do hope the minister will give serious attention to this—

Mr. Morris: Read on.

Mr. Carter: —because, as I say, if a person takes 20 minutes to say something—

Mr. Fleming (Eglinton): Or makes two speeches.

Mr. Carter: —that he could say in five minutes, that does not inspire anyone's confidence in him. If, in addition to that, he uses those 20 minutes to talk about minor details without giving the vital information that is necessary to form a balanced judgment, then I not only lose confidence in him but I also get suspicious. I want to suggest to the minister that in my opinion—

Mr. Fleming (Eglinton): You are a suspicious man.

Mr. Carter: —the public mind reacts in much the same way. In this connection the budget leaves unanswered some very important questions.

An hon. Member: Didn't the Liberal budgets do that for years?

Mr. Carter: The Liberal budgets were never like this.

Mr. Hamilton (Notre Dame de Grace): You are right. This is a good budget.

Mr. McIlraith: Good for nothing.

Mr. Carter: I am reading from page 6642 of *Hansard*. The minister had this to say:

> When there is a substantial degree of slackness in the economy, in the form of excess productive capacity and idle manpower, budget deficits can provide an important stimulus. By means of such a deficit the government, through its expenditures, places in the hands of the public substantially more purchasing power than it withdraws through taxation. If appropriately planned and timed, a substantial deficit can encourage higher levels of output, employment income and savings, without incurring risks of inflation.

Well, it is evident from these words that the minister has at last been converted to the merits of budgeting for a planned deficit. We have been urging that course of action on the minister for the last four years.

An hon. Member: You have?

Mr. Carter: Oh yes. Budgeting for a planned deficit.

Mr. Fleming (Eglinton): Would the hon. member permit a question? Are we to understand that the hon. member is saying that he and his colleagues have been urging on me for the last four years the virtues of planned deficit financing?

Mr. Carter: Certainly.

Mr. Fleming (Eglinton): A moment ago you complained about deficits.

Mr. Carter: The hon. member for Edmonton West (Mr. Lambert) a few moments ago—was not the minister listening to his own colleague? —was decrying the Liberals for all the deficits we were proposing in our resolutions.

Mr. Fleming (Eglinton): And you were complaining about the deficits.

Mr. Carter: I want to recall to the minister what the hon. member for Edmonton West said. He said the Liberal leader came out and asked for a deficit of $400 million. That was a terrible thing. Here we have the minister telling us that last year he had a deficit of $350 million which was not planned

at all. Not content with that, he comes before us and tells us he is going to have another deficit of $650 million or $700 million this time, and that is not planned either. I am going to prove to the minister just how little planning there is in this budget, but before I go on I just want to answer another thing that the hon. member for Edmonton West said. He went on to say that we have to find $298 million for the hospital insurance plan; the Liberals never had to face anything like that. I want to tell him that as far back as 1957 we had $89 million in the budget for this contingency. So at the time when we were in the depths of a recession the minister steadfastly rejected any suggestion that he should budget for a planned deficit but now that we are on the way out of it he suddenly espouses this cause and becomes alive to its merits. Why has the minister changed his mind? Surely the people are entitled to know. Is it because he has tried everything else and has come to this as a last resource?

I want to tell the minister that it is open to serious doubt whether he has in fact presented us with a planned deficit. The minister has said this is an expansionist budget and I think everybody would agree that if the economy is moving upwards a little more momentum would be all to the good and it would not be a good thing to try to slow it down before it really got under way. We want it to get enough momentum to keep on going. On the other hand we do not want it to get out of control. It might be good politics on the part of the minister to talk about an expansionist budget when the economy is moving upwards, because if the economy is moving up we are going to have expansion anyway. The minister has told us to expect a 3 per cent expansion apart from any effect brought about by his proposals. Will the minister take credit for all the expansion that occurs next year, or only for the expansion that occurs in excess of 3 per cent? I want to tell the minister that there is not much expansion indicated in this white paper which is entitled "Private and Public Investment in Canada Outlook for 1961". If this is really an expansionist budget, how much expansion does it represent? To be healthy, our Canadian economy needs to expand at the rate of at least 6 per cent—2 per cent to take care of the national increase in the working force, another 2 per cent to take care of the backlog of unemployment and a further 2 per cent to provide capital for reinvestment and improvement and to raise our standard of living. Do we have a deficit that is planned to accomplish this? If so, how is it to be achieved? It is certainly not clear from what the minister has told us so far.

A planned deficit, as I understand it, has two components. One component is designed to put extra purchasing power into the hands of the people and the other is to carry out planned projects. The minister told us when he brought down his budget that his proposals would put only $100 million extra purchasing power into the hands of the people in the whole year, and that for the balance of this year they would receive only $65 million extra spending money. Well, I submit that that is not going to have very much impact on the economy. What about the rest of the budget? What about the rest of the deficit? Last year we had a deficit of $350 million and that was totally unplanned and totally unexpected. Now we are going to have $650 million—$300 million more. To what plans are that extra $300 million deficit geared? The minister has not told us. But the hon. member for Kenora-Rainy River (Mr. Benidickson) has suggested that it is geared to the spending program which was approved eight months ago. If that is so, and it seems very likely that it is, then it is not related to any expansion project at all.

Another vital question which has been left unanswered is this. What is behind the minister's sudden conversion in favour of using the exchange stabilization fund? Last year he told us it was too dangerous even to contemplate. What is the difference now? He has not told us that.

Mr. Chevrier: Gigantic speculation.

Mr. Carter: We know that the cost of living will go up, but in addition what will be the cost to the treasury to bring our Canadian dollar down, and not only to bring it down, but to keep it down particularly in the face of the United States dollar which may tend to get stronger on the world market? Where will this money come from? Will we borrow this money or will we just print it, and how will this affect the deficit? In fact, is $650 million a realistic deficit and, if not, how will it affect our cash requirements?

If, as the minister has told us, he already will need $1 billion, if our cash requirement will be $1 billion and if in addition to that we have to borrow more money for the industrial development bank and for the exchange stabilization fund, will that not defeat the minister's efforts to keep interest rates down? Surely that will have the effect of an upward push of interest rates.

Then again what will be the effect of a devalued dollar on other sectors of government spending, for example, in regard to the armed forces? I have an article before me which appeared in the Ottawa *Journal* on June 24, 1961 headed "Canadian Troops

Ask Pay Boost" and bears the date line, "Soest, Germany". Part of this article reads as follows:

> Until about a year ago here Canadians received approximately 4½ marks on the dollar, give or take a few "phennings" (100 to a mark or the German equivalent of our cent).
>
> Since then, however, the value of the dollar has dropped 15 per cent, 7.5 per cent of this since mid-January this year, taking in the March revaluation of the Deutschmark.
>
> On the basis of $100 you used to receive 440 marks; now you only get 384, or 57 marks less, equivalent to a loss of about $15.

A later paragraph of the same article reads as follows:

> Sometime this fall the strengthened Deutschmark is to be revalued again. And the question asked is: "If the Canadian dollar is only worth 3.75 now, what's it going to be worth then?"

We might very well ask what it will be worth after the minister has devalued it.

These are all very important questions. I should like to suggest to the minister that the success of his budget proposals will be in direct proportion to the confidence he can inspire in the business community. Businessmen are not interested in the political aspects of the budget and will not be fooled by changes made for political purposes without economic justification. Their confidence will depend on to what extent and with what forthrightness the minister provides the answers to these important questions.

(Translation):

Mr. Guy Rouleau (Dollard): Mr. Speaker, I listened a few moments ago to the hon. member for St. Hyacinthe-Bagot (Mr. Ricard) who had risen to take part in the discussion of the budget. The hon. member said that he had no intention of taking part in this debate, but that, in view of the lack of sincerity, or of the "insincerity" of the Liberals, to use his own words, he had decided to do so.

Mr. Speaker, I am asking you, is it a lack of sincerity on the part of the members of the Liberal opposition to take up the case of the unemployed in this country? Is it a lack of sincerity, Mr. Speaker, to defend the businessmen who are having trouble since the Conservatives took over in this country? Is it insincere on the part of the Liberal opposition to make an appeal on behalf of businessmen in Canada? Is the Liberal opposition lacking in sincerity because it wants to defend the Canadian workers and taxpayers? Is it a lack of sincerity, Mr. Speaker, for members of Her Majesty's official opposition to try to co-operate in the restoration of full employment in Canada, in the restoration of prosperity and of the finances of the state?

Mr. Speaker, who is guilty of insincerity, if I may use the expression of the hon. member for St. Hyacinthe-Bagot? Certainly it is those who, in 1957 and 1958, made irresponsible promises. They were guilty of insincerity in failing to provide to the Canadian people what they had been used to receive during the 22 years of Liberal government.

The hon. member for St. Hyacinthe-Bagot managed to pull another neat trick tonight. In taking part in the budget debate, he managed to say not a single word on the budget itself. That shows what the member for St. Hyacinthe-Bagot really thinks of the budget speech delivered to us by the Minister of Finance. The hon. member for St. Hyacinthe-Bagot suggests that we, of the Liberal opposition, are glad to see the unemployment insurance fund depleted. Well, Mr. Speaker, nothing could be more untrue. What we complain about however, we, Liberal members, is that the unemployment insurance fund that we had succeeded in setting up during our administration, because we were able to ensure full employment, is seriously threatened by the bad administration of the Conservative government which is directly responsible for the present unemployment in our country. But before long, Mr. Speaker, it will be those who sit on this side of the house who will have the responsibility of replenishing that fund, as we did in the past, by restoring prosperity and full employment in Canada.

The hon. member for St. Hyacinthe-Bagot stated here tonight in front of his colleagues, that we, on this side of the house are glad that there is unemployment in Canada. Well. As a young Canadian, as a Liberal, as a politician, I take objection to the statement of the member for St. Hyacinthe-Bagot. As a Canadian who loves his country and his fellow-citizens, regardless of party affiliations, I cannot rejoice that there should be so much unemployment in our country. As a Liberal, as a member of Her Majesty's loyal opposition, nothing would please me more than if unemployment were on the way out and if all those who suffer at present could find the jobs to which they are entitled and which would enable them to earn their living and benefit from the natural resources with which providence has endowed our country.

Mr. Speaker, the hon. member for St. Hyacinthe-Bagot asserts that all we want on this side of the house is to get back into power.

After four years of Conservative administration, after having travelled here and there in the country and having heard Canadian citizens from all classes complaining, I should say that it is less a case of Liberals wanting to get back into power than a case of the Canadian people being anxious to get rid of a government in which they put their trust in 1957, but which they do not trust any more and which they would gladly replace by one having shown its mettle, namely a Liberal administration.

The member for St. Hyacinthe-Bagot told us that we wanted to get back into power only for the sake of being in power. The hon. member for St. Hyacinthe-Bagot would do well to read again the report of the Conservative convention held in Ottawa in 1957 when the young Progressive Conservatives were stating that in order to take hold of power in Ottawa they only had to mobilize all the discontented Liberals.

Mr. Tom Bell, then president of the young Conservatives stated:

We are going strong, united and anxious to do a job for our party, and the easiest way to do that is to turn against the Liberals.

Such was the program that the young Conservatives held before the Canadian population.

Well, on this side of the house, we have a concrete program to offer. We have concrete proposals to submit to the people, as we have done during the present session. Unfortunately, those members opposite did not want to listen to us, nor take into account the suggestions we made, so that their administration has put us in a sad plight.

Mr. Speaker, the member for St. Hyacinthe-Bagot is not usually so vocal. Perhaps it is the presence here tonight of the candidate to the leadership of the Union Nationale party, Mr. Daniel Johnson, that inspires him. That explains perhaps the severe attitude of the hon. member for St. Hyacinthe-Bagot.

Mr. Speaker, let us come back to more serious matters. Our political institutions, like our parliamentary traditions, favour a system of political parties representing various shades of opinion.

A certain group, known under the name of Conservatives, accept men and institutions as they are. It is the present Prime Minister who gave that definition of the Conservative party. In practice, that party has shown some preference for restrictive and protectionist policies and a certain leaning toward financial interests which it seeked to protect.

Another group, the extreme left group, known as the C.C.F., advocates a radical evolution in our institutions, including nationalization of production.

The middle of the road party is the Liberal party, which believes that reforms are always required because it is always necessary to adapt oneself to changing conditions in these modern times.

The Liberal party wants to protect the average citizen; it does not want changes as radical as those advocated by the socialists, because it believes that free enterprise is of great service to the nation. But it wants to ensure a more equitable distribution of the wealth of the nation and the fruits of production through social security measures and reforms it has always advocated.

These three schools of thought are constantly opposed in Canada but more particularly in the House of Commons where the elected representatives of the nation meet.

If it falls to the party with the largest number of representatives to govern, to administer the nation's business, the opposition which represents a large proportion of Canadian citizens, has the duty to criticize, and criticize severely when needed, the government measures. The opposition has the duty to point out the faults and omissions of the government, to make observations and suggestions and, let us admit it frankly, to show the nation, the Canadians, the shareholders of this country, that it is more capable of running the country than the government of the day.

In their respective fields, the government, and the opposition, must never forget their responsibility, which is the welfare of the nation and the sound management of the affairs of the country, coming first, before the promotion of a political party.

The government must never make use of its majority in the house to stifle the opposition. It must listen to opposition members with attention and sometimes, let us admit it, with patience.

Opinions are certainly different as to the policy to be followed in order to bring about the general weal. This is something we must never forget in our discussions, but we must take for granted and for sacred the fact that the public weal is the sole care of every member of this house. Any member who does not entertain such an ideal would not deserve to sit in this house.

The system of government we have in Canada encourages such an ideal and I, for one, am convinced that we have now an ideal system of democratic government of which I am proud to be a member and I am grateful to the voters of the Dollard constituency for giving me the opportunity on their behalf to take part in that government.

It is with this preamble as a background that I rise tonight to take part in this debate on the budget.

I wish a greater number of my colleagues of the ministry had participated in this debate, but I find that they, who are usually so loquacious, especially during the present session, when they continuously rose to talk about the most trivial matters, to praise this or that minister, to shower flattery upon the government on all occasions, have become hesitating when it comes to deal with one of the most important measures, if not the most important of all the reasons why we are here, that is the Canadian budget which will directly affect, during the next 12 months and even during years to come, the life of every family, of every Canadian citizen, and which will also affect our relations with every nation of the world.

Our hon. friends opposite, after the applause of the budget night has faded away, are somewhat stunned. They are as quiet as frightened partridges. You would think they are ready, like panic-stricken ostriches, to hide their heads in the sand.

It is no wonder that they are afraid. They have reason to fear not only the anger of their constituents, in view of the complete failure of four years of Conservative administration, but also the worst for the Canadian economy, because of the tremendous gamble the Minister of Finance is taking in his budget. No one can say where we are headed. The experience of the past four years has taught us to fear the worst.

Four years of Conservative administration have given us the following result: five deficits in four years; an increase of $2 billion in the national debt; corresponding increase in the interest on the debt; deterioration of our commercial relations throughout the world; deterioration of our relations with our American neighbours; irreparable deterioration, in some cases, of relations between the government and senior officials, as well as various government agencies.

The Minister of Finance has announced an expansionist budget; indeed the budget is expansionist, but in its deficit.

Last year, he forecast a $12 million surplus and ended up with a deficit of some $345 million. This year, he predicts a deficit ranging between $600 and $700 million. What will be the situation next year?

The policies of the Conservative government have resulted in unenviable records, record deficits, record unemployment, record increase in the interest on the debt in peacetime, and record hesitation, contradiction, incompetence and irresponsibility.

Mr. Speaker, may I call it 10.30?

(Text):

BUSINESS OF THE HOUSE

Mr. Chevrier: May I inquire what the business will be for tomorrow and Thursday.

Mr. Churchill: We will continue with the debate on the budget tomorrow and the business for Thursday will be announced at the adjournment hour tomorrow.

Mr. Chevrier: In due course.

At 10.30 p.m. the house adjourned, without question put, pursuant to special order.

ANSWER TO QUESTION

The following answer, deposited with the Clerk of the house, is printed in the official report of debates pursuant to standing order 39:

DUMPING OF WASTE, GEORGIA GULF AND BURRARD INLET

Question No. 260—**Mr. Taylor:**

1. Have there been any complaints directed to the Department of Transport about the dumping of waste in the gulf of Georgia or Burrard inlet within the last six months?
2. Has the Department of Transport issued any instructions recently to owners of vessels in the gulf of Georgia or in Burrard inlet with respect to the dumping of refuse in the waters?
3. Are there any penalties for dumping waste?
4. Has any action been taken by the Department of Transport to eliminate the nuisance caused by such dumping by owners of vessels?
5. Has there been an increase in waste dumpage in recent months in Vancouver harbour?
6. If so, has there been an increase in the staff and equipment of the national harbours board to cope with the situation?

Answer by: **Hon. Leon Balcer (Minister of Transport):**

The responsibility of the Department of Transport for the prevention of dumping of waste or refuse in navigable waters is confined to oil pollution by ships. Within this area of responsibility, the answers to the questions are as follows:

Question

1. No complaints have been received concerning the discharge of oil in the gulf of Georgia or Burrard inlet within six months.
2. Vessels are boarded by department inspectors in Vancouver for the purposes of examining oil record books. Public notices are also posted warning of the penalties for discharge of oil into Canadian waters and pilots bringing vessels into west coast Canadian ports are provided with cards advising the master of the ship of the penalties for discharge of oil.
3. Section 495A of the Canada Shipping Act provides for a penalty of up to $500, and/or six months' imprisonment.
4. Surveillance of vessels on a continuous basis is not possible but arrangements have been made with the masters of Canadian government ships and the masters of fisheries inspection vessels to report any cases of oil pollution which come to their attention.
5. No increase in oil pollution in Vancouver harbour has been reported.
6. Not applicable.

90205-6—453

APPENDIX

JOINT COMMUNIQUE BY PRIME MINISTERS OF JAPAN AND CANADA

June 26, 1961.

The Prime Minister of Japan, Hon. Hayato Ikeda, has concluded today a visit to Ottawa made at the invitation of the Prime Minister of Canada, Right Hon. John G. Diefenbaker. Prime Minister Ikeda was accompanied by the foreign minister of Japan, Hon. Zentaro Kosaka, and a number of officials of the government of Japan.

Prime Minister Diefenbaker and Prime Minister Ikeda, together with the Secretary of State for External Affairs, Hon. Howard C. Green, and the Japanese foreign minister, exchanged views on a number of international problems of mutual interest and concern and on questions affecting the relations between Canada and Japan.

They examined the state of east-west relations, with particular attention to recent developments in the Far East. They agreed on the need for a genuinely independent and neutral Laos and on the importance of economic co-operation with the less fully developed nations of Asia. They further exchanged views on communist China.

Prime Minister Ikeda and Prime Minister Diefenbaker welcomed the continuing co-operation of the Canadian and Japanese delegations to the United Nations. They emphasized that they looked forward to even closer co-operation in the future.

The two Prime Ministers also reviewed economic relations between Canada and Japan. Prime Minister Ikeda reaffirmed the principle of orderly marketing of Japanese exports to Canada of products competitive with Canadian production in order to avoid injury to Canadian industries. Prime Minister Diefenbaker confirmed that the government of Canada looked forward to the continued expansion of mutually beneficial trade between the two countries.

Prime Minister Diefenbaker noted the Japanese interest in the possible establishment and development of Japanese investments in Canada and indicated that mutually satisfactory arrangements would be made for the entry to Canada of Japanese nationals required in connection with certain of the operations of these enterprises. Prime Minister Ikeda explained his government's plans for further liberalization of imports, including commodities of interest to Canada.

The two Prime Ministers agreed that in view of the increasing importance of Canadian-Japanese relations, there should be established a Canadian-Japanese ministerial committee which would not be a negotiating body but would provide a valuable means of contact between ministers of the two countries. The activities of the committee would consist primarily of visits of ministers to each other's country from time to time to exchange views on matters of common interest particularly in the economic field, and to familiarize themselves with the problems of the other country.

At the close of their discussions Prime Minister Ikeda renewed the invitation to Prime Minister Diefenbaker to visit Japan. Prime Minister Diefenbaker accepted this invitation to visit Japan at a mutually convenient time in the near future.

HOUSE OF COMMONS

Wednesday, June 28, 1961

The house met at 11 a.m.

BROADCASTING

Third and final report of special committee on broadcasting—Mr. Fairfield.

GRAIN

STATEMENT ON DELIVERY QUOTA POSITION IN WESTERN CANADA

Hon. Alvin Hamilton (Minister of Agriculture): Mr. Speaker, I wish to inform hon. members of the grain delivery quota position in western Canada. As at June 27 there were 62 stations on a 4 bushel quota, 607 on a 5 bushel quota and 1,325 on a 6 bushel quota. The railways have been instructed to give priority to those stations on a low quota, and those producers on 4 and 5 bushel quotas can be assured, therefore, that box cars will be available shortly.

Hon. members from western Canada in particular will wish to have some indication of the maximum quota levels which may be reached this crop year. I discussed this subject with officials of the Canadian wheat board yesterday and can now inform the house that an effort will be made to have all stations on a 7 bushel quota by the end of the crop year.

I wish to make it perfectly clear that no complete assurance can be given to producers at this time that it will be possible for them to deliver a full 7 bushel quota. There are several hundred stations presently on a 6 bushel quota where space is now available, and in order to take full advantage of the situation the board will issue instructions today that producers at these stations may deliver grain against a 7 bushel quota. As space becomes available at other stations the elevator agents will advise the Canadian wheat board when there is sufficient space to warrant an increase to a 7 bushel quota.

Under the extremely adverse conditions now prevailing in western Canada it is impossible to predict with any degree of accuracy the extent to which producers may wish to avail themselves of delivery opportunities. Many producers may in fact wish to retain supplies of grain on their farms for feed and seed purposes. In other areas where crop conditions are more favourable producers may wish to deliver their grain to the maximum extent possible. It is for this particular reason that, whereas producers are assured of a full 6 bushel quota, the extent to which deliveries may be made against the 7 bushel quota may vary as between stations and areas.

With my full approval the Canadian wheat board will endeavour to equalize delivery opportunity to the extent possible, consistent with the No. 1 task of ensuring that supplies of grains and grades of grain are available to meet export and domestic commitments.

AGRICULTURE

DROUGHT CONDITIONS IN WEST—ANNOUNCEMENT OF FEDERAL AID

Hon. Alvin Hamilton (Minister of Agriculture): Mr. Speaker, yesterday the Prime Minister informed the house of the grave drought conditions prevailing in western Canada and outlined certain actions to be implemented by the government to assist farmers in obtaining adequate supplies of fodder.

In addition to fodder requirements the government and the Canadian wheat board have received requests from certain areas for the retention of stocks of wheat, oats and barley in store, country elevators, to fulfil anticipated local requirements. Following discussions with officials of the wheat board I am pleased to inform the house that the board is now prepared to facilitate the holding of necessary grain supplies for local sale purposes provided prior arrangements are completed with the local authorities with respect to the payment of carrying charges on stocks held for this purpose.

Accordingly the Canadian wheat board will issue instructions today authorizing local elevator companies, when approached by municipal authorities requesting stocks of specific grain to be held for local sale, to immediately contact the board. The board will then enter into provisional sales contracts with the company on the understanding that carrying charges are for the account of the municipality. In the event that more stocks are contracted for than are ultimately required, the board will agree to cancel the provisional sales contract and the balance of the stocks will be reclaimed by the board, which will again assume the carrying charges.

I have had discussions with the provincial ministers of agriculture of Manitoba and Saskatchewan, and I am today trying to contact

the minister of agriculture of Alberta, to let them know of this action immediately. I do not think I need tell the house that this action is now being taken to avoid a recurrence of what happened in 1937 and 1938 in the prairies.

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I am sure the hon. member for Assiniboia will be delighted to know of this favourable response on the part of the government to his representations.

STARRED QUESTIONS

FLOODS; ETC.—FEDERAL ASSISTANCE TO PROVINCE

Question No. 410—**Mr. Herridge:**

1. What is the policy of the federal government with respect to assistance granted to the provinces suffering flood and other disasters beyond their financial capacities to meet?

2. (a) What is the total amount of money granted by the federal government to each province since 1945, in connection with assistance to meet the costs of flood, and other disasters? (b) on what date was each grant made, what disaster had occurred, at what place, and what was the amount of the grant made for each disaster?

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, I have the answer to this question. It is very lengthy and embraces many figures. I wonder if it would meet the wish of the house if it were placed on *Hansard* without being read.

Mr. Speaker: Is that agreed?

Some hon. Members: Agreed.

[*Editor's note: the answer referred to above is as follows:*]

1. Federal assistance for disaster relief is granted only if a request for assistance has been made by the provincial government and if the amount of the damage is beyond the financial capacity of the province.

Where these basic conditions apply, the policy which has been developed and applied in the last two instances of flood damage has been to share equally with the province a portion of the cost of building repairs on privately owned homes and associated structures (outbuildings, business premises attached to the home, etc.) In both these instances, the eligible portion of the cost has not exceeded 80 per cent of an amount equal to the total damage suffered by each individual less $100 deductible; in addition there was a maximum on the eligible portion for each establishment of $5,000. There have also been various arrangements in past cases for taking into account any insurance recovery.

Where non-flood damage has been concerned, there has been no standard formula and federal aid has depended largely on the particular circumstances of each case.

[*For answer to part 2 see table on following page.*]

UNEMPLOYMENT INSURANCE—RECIPIENTS OF BENEFITS

Question No. 421—**Mr. Deschatelets:**

What are the latest figures showing the number of persons drawing benefits from the national employment service offices?

Mr. R. D. Thrasher (Parliamentary Secretary to the Minister of Labour): Mr. Speaker, the number of active claimants as at May 31, 1961 was 340,950.

TARIFF VIOLATION, OKANAGAN HELICOPTERS LTD.

Question No. 422—**Mr. Bourbonnais:**

1. Why has the air transport board granted an extension of 8 days (from June 19 to June 27, 1961) to Okanagan Helicopters Ltd. to provide the information requested by the board relevant to the tariff violation filed against them?

2. What are the reasons given by the legal adviser of the air transport board for granting this delay?

3. Who are the legal advisers of the air transport board who made such a recommendation?

4. What are the qualifications of Mr. J. L. G. Morisset to be a member of the air transport board?

5. Has Mr. Morisset any experience in the commercial aviation field?

Hon. Leon Balcer (Minister of Transport): In reply to parts 1 and 2, I am advised that the extension was granted in accordance with normal practice upon the request of the solicitors acting on behalf of Okanagan Helicopters Ltd. for a further period of time to prepare a reply.

With respect to part 3, the legal adviser to the board in this respect is L. J. Shields of the board's legal branch.

In reply to parts 4 and 5, member J. L. G. Morisset is a lawyer, admitted to the bar of the province of Quebec in 1940. He has been with the air transport board since 1946, and occupied senior positions on the board's staff before being appointed to the board in January, 1955.

BANK OF CANADA PENSION PLAN AMENDMENT

Question No. 423—**Mr. Peters:**

1. On what date was the contributory pension plan for the employees of the Bank of Canada amended?

2. How many employees were contributing to the pension plan: (a) before March 1, 1960, (b) after March 1, 1960?

3. How many employees have retired since March 1, 1960 (a) under the old plan (b) under the revised pension plan?

4. What was the lowest, highest, and average rate payable under the Bank of Canada pension plan: (a) previous to March 1, 1960 (b) since March 1, 1960?

Starred Questions

Province	Disaster	Fiscal Year	Amount
			$
British Columbia	Flood in Fraser valley 1948 (costs are for the period on or after May 15, 1948)	1948–49	5,000,000
Manitoba	Flood in Red river valley 1950	1950–51	12,500,000
Quebec	Fire in Rimouski, May 1950	1950–51	1,000,877
		1951–52	1,177,519
		1952–53	257,389
		1953–54	615
		1954–55	233
			2,436,633
Quebec	Fire in Cabano, May 1950	1950–51	218,270
		1951–52	80,439
		1952–53	530
			299,239
Ontario	Floods arising out of hurricane Hazel on October 15 and 16, 1954	1954–55	330,258
		1955–56	434,379
			764,637
Manitoba	Floods in the spring of 1955	1956–57	17,770
Saskatchewan	Floods in the spring of 1955	1956–57	31,779
	Grand total		21,050,058

In addition the following grants were paid directly to boards and disaster funds:

Disaster	Paid to	Fiscal Year	Amount
			$
Flood in Fraser valley—costs on and after May 15, 1948	Fraser valley dyking board	1948–49	4,500,000
		1949–50	4,024,186
			8,524,186
Floods in Red river valley and Winnipeg area generally—costs in planning and construction of emergency works	Greater Winnipeg dyking board	1950–51	1,922,208
		1951–52	1,585,553
			3,507,761
Springhill mine disaster	Springhill mine disaster relief fund	1956–57	25,000
		1958–59	100,000
			125,000
New Brunswick fishermen's disaster	New Brunswick's fishermen's disaster fund	1959–60	50,000
	Grand total		19,352,739

Starred Questions

Hon. Donald M. Fleming (Minister of Finance): The answer is as follows:

1. Established March 12, 1936. Amended on the following dates: September 15, 1938, September 11, 1939, January 10, 1941, October 20, 1944, October 24, 1947, November 30, 1953, July 7, 1954, December 3, 1954, February 4, 1955, September 13, 1956, February 20, 1959, and February 15, 1960.

2. (a) As at February 29, 1960, 1,114; (b) As at June 22, 1961, 1,177.

3. (a) Nil, (b) 13.

4. (a) As at February, 1960, the lowest, $7.87 per month; the highest, $1,145.83 per month. That happens to be the pension of the former governor. The average, $128.92 per month. (b) As at June, 1961—$7.87 per month, $1,145.83 per month, $139.08 per month.

C.N.R. SALE OF LAND, ST. HENRI, MONTREAL

Question No. 424—**Mr. Lessard:**

1. Has the Canadian National Railways offered for sale, or does it intend to offer for sale, the lands and lots which constitute the Turcot yard in St. Henri, Montreal?
2. If so, have public notices to that effect been published?
3. Has the city of Montreal stated in writing its intention to purchase these lands and lots? If so, when?
4. Has the C.N.R. received any bids from other corporations or companies? If so, from which corporations or companies?

Hon. Leon Balcer (Minister of Transport): The management of Canadian National Railways advise as follows:

1. No.

2. Not applicable.

3. In the eighth land exchange between the city and railway covered by deed passed before L. A. Marchessault, notary, on June 7, 1960, the city has an option to acquire from the railway before January 1, 1962, some lots and parts of lots adjoining the northerly boundary of Turcot yard between Brock avenue in the town of Montreal West and Decarie boulevard in the city of Montreal. The option has not as yet been exercised.

4. No.

FLYING ACCIDENTS, POLAR CONTINENTAL SHELF PROJECT

Question No. 425—**Mr. Pigeon:**

1. Have there been any flying accidents on the polar continental shelf project?
2. If so, what were the nature of the accidents?
3. Which company was involved?

Hon. Paul Comtois (Minister of Mines and Technical Surveys): 1. Yes.

2. An Otter aircraft equipped with skis broke through sea ice on landing.

3. McMurray Air Services Limited, Uranium City, Saskatchewan.

[Mr. Peters.]

OKANAGAN HELICOPTERS LIMITED—CONTRACTS

Question No. 426—**Mr. Pigeon:**

1. Are the contracts for helicopter services in Canada negotiated by the government of Canada, the United States air force, and the federal electric corporation, with Okanagan Helicopters Ltd., approved by the air transport board?
2. If so, what is the total value of such contracts currently held by Okanagan Helicopters Ltd.?
3. What is the total value of all such contracts which have been held by Okanagan Helicopters Ltd. during the years 1954 to 1961, both years included?

Hon. Leon Balcer (Minister of Transport): The answer to part 1 is yes.

In reply to part 2, the total value of such contracts currently held and being carried out by Okanagan Helicopters Ltd. on the D.E.W. line and in respect of the Pine Tree operation is $1,007,860, which amount includes $103,500 for fixed wing air transportation services being provided by Wheeler Airlines (1960) Ltd. acting as subcontractor to Okanagan Helicopters Ltd. in this respect in connection with the Pine Tree requirement for the period July 1, 1960 to June 30, 1961.

With respect to part 3, the total value of contracts carried out by Okanagan Helicopters Ltd. in respect of the D.E.W. line and Pine Tree requirements to June 30, 1961 is $2,293,661.

EASTERN ROCKIES—FOREST POTENTIAL INFORMATION

Question No. 427—**Mr. Pickersgill:**

1. In whose custody is information in regard to forest potential prepared by the office of the eastern Rockies conservation board?
2. Is such information available to members of the public, and, if so, at what charge?

Hon. H. J. Flemming (Minister of Forestry):

1. Information in regard to forest potential in the area to which the jurisdiction of the eastern Rockies forest conservation board applies is contained in a forest inventory which is now being prepared by the province of Alberta, and which is expected to be completed this fall. This information is in the custody of the department of lands and forests of Alberta.

2. Yes. The charge for air photographs is 50 cents each, and for forest maps 75 cents per township. The charge for area and timber volume summaries depends on the time required to prepare the data.

LA MACAZA—ESTABLISHMENT OF BOMARC BASE

Question No. 428—**Mr. Roberge:**

1. Is the government in possession of lands in La Macaza area to be used for the establishment of Bomarc bases?
2. If so, what is the technical description, and the cadastral designation of such lands?

Mr. Egan Chambers (Parliamentary Secretary to the Minister of National Defence): Mr. Speaker, the answer to this question is as follows:

1. Yes.

2. (a) Bomarc site.

Part of lots 30, 31, range B; part of lots 2, 3 and 4, range E; part of lots 1, 2, 3A, 3B, 4, 5, 6A and 7A, range D, township of Marchand, county of Labelle.

(b) Easement and power line.

One hundred feet wide through part of lot 20, range southwest Riviere Rouge; part of lots 21, 22 and 23, range northeast Riviere Rouge; part of lots 24, 25 and 26, range A; part of lots 27, 28 and 29, range B, and part of lot 1, range D, township of Marchand, county of Labelle.

ANGOLA—GOVERNMENT ACTION ON REQUEST OF CHURCHES

Question No. 430—**Mr. Martin (Essex East):**

1. What action has the Canadian government taken on the request of the Canadian council of churches, Canadian Baptist foreign mission board, and United Church of Canada, on May 29, 1961, to "Use its influence through all possible channels to the end that the excessive punitive action being carried out in Angola be brought to an immediate halt"?

2. What action has the Canadian government taken on the request of the Canadian council of churches, Canadian Baptist foreign mission board, and United Church of Canada, on May 29, 1961, to "Urge the Portuguese government to initiate consultations with responsible African leadership"?

3. What action has the Canadian government taken on the request of the Canadian council of churches, Canadian Baptist foreign mission board, and United Church of Canada, on May 29, 1961, to "Impress upon the Portuguese government the legitimate claim of the African people of Angola to fundamental human rights and to participate in the processes of government"?

Hon. Howard C. Green (Secretary of State for External Affairs): Mr. Speaker, the answer to this question is as follows:

1. This request was discussed on May 29 when I received a delegation including representatives of the department of overseas missions of the Canadian council of churches, the Canadian Baptist foreign mission board and the executive of the general council and the board of overseas missions of the United Church of Canada. I gave a report of that meeting to the house on May 30.

The representatives of the churches concerned were informed that Canada supported the resolution of April 22 of the general assembly which set up a subcommittee to inquire into the situation in Angola because the government considered that the resolution offered a moderate and helpful approach to a complicated subject, and the Canadian government hoped that the subcommittee would be able to make recommendations which would ease the situation. The subcommittee consists of Finland, Dahomey, Sudan, Bolivia and Malaya.

On June 9 the security council approved a resolution on the situation in Angola which, among other things, asked Portugal to extend every facility to the subcommittee set up by the general assembly and requested the subcommittee to implement its mandate without delay.

The security council also expressed the hope that a peaceful solution will be found to the problems of Angola. The Canadian government is awaiting with interest the report of the subcommittee on Angola and, in the light of that report, will consider what further action might usefully be taken.

Parts 2 and 3 to the question are answered by the answer to part 1.

CANADIAN MILITARY ASSISTANCE TO PORTUGAL

Question No. 431—**Mr. Martin (Essex East):**

1. What military assistance has Canada provided Portugal under Canadian mutual aid each year since the program was established?

2. What form has this military assistance taken?

3. Is any consideration being given to additional military assistance to Portugal under mutual aid?

4. Has Canada sold any arms, ammunition, or other military equipment to Portugal since NATO was established?

5. If so, what material has been sold?

6. Have there been any Portuguese requests to purchase Canadian arms, ammunition, or military equipment this year?

7. If so, what material was requested?

Hon. Howard C. Green (Secretary of State for External Affairs): Mr. Speaker, with regard to parts 1 and 2 of this question, the information is contained in a table and I ask leave to have that printed without reading it. The answer to part 3 is as follows.

As the Prime Minister stated in the house on June 22, the Canadian mutual aid program was designed for the purpose of helping our European NATO allies to build up their capacity to resist aggression. It is carried out under NATO sponsorship, and allocations are made on the basis of recommendations from the central NATO military and civilian authorities.

Under this program Canada has given assistance to Portugal. Such assistance has been provided on the understanding that it be used only to strengthen the capacity of NATO to deter or resist aggression and only for the defence of the NATO area as defined in article 6 of the North Atlantic treaty. The question of future mutual aid shipments to Portugal will be determined in the light of the circumstances prevailing at the time such requests are received, taking into account the principles I have just outlined.

4. Yes.

Starred Questions

5. Since NATO was established export permits for commercial sales have been issued for aircraft engine and other parts for shipment to the Portuguese air force, totalling $71,000, and for military vehicle parts for the Portuguese army, totalling $445,000. In addition export permits have been issued for arms to the Portuguese army totalling $31,000.

6. No.

7. Answered by the answer to part 6.

Mr. Speaker: Has the hon. member leave to incorporate the table referred to as part of his answer?

Some hon. Members: Agreed.

[*Editor's note: The table above referred to is as follows:*]

DELIVERIES OF MUTUAL AID MATERIALS AND SUPPLIES TO PORTUGAL FROM INCEPTION OF PROGRAM

(millions of dollars)

Deliveries from stocks	Cumulative to Dec. 1953	1954	1955	1956	1957	1958	1959	1960
Armament	8.313	15.262	2.479	15.122	5.854	.185	.003	.086
Ammunition	3.044	6.548	.390	2.018	.635	.227	.076	—
Mechanical equipment	5.020	1.277	2.062	.754	.092	.055	.335	.516
Electronic and comm. equipment	1.725	.285	.584	.001	—	—	.006	—
Aircraft and engines	—	—	.008	—	—	.001	.338	—
Deliveries from new production								
Ammunition	.171	.531	.240	1.955	.001	.394	1.780	—
Electronic and comm. equipment	—	.395	.099	.046	—	.204	.015	—
Aircraft and engines	—	.334	.113	.082	.003	—	.914	.294
Armament	—	—	—	—	—	.540	.248	—
*Total value of shipments	18.272	24.632	5.974	19.979	6.585	1.607	3.714	.896

* This statement is based on actual shipments of materials and supplies by calendar years commencing December, 1953.

BOMARC MISSILE BASE, MONT LAURIER—PURCHASE OF LAND

Question No. 432—**Mr. Herridge:**

1. On what date were negotiations commenced for the purchase of the land on which the Bomarc missile base near Mont Laurier is situated?
2. By whom were negotiations on both sides conducted?
3. In whose name was the land registered at this time?
4. Were options taken on this land at any time?
5. If so: (a) on what date? (b) what was the acreage involved, and how was it described? (c) what were the terms of the option? (d) who were parties to the agreement?
6. Was this land purchased by the government?
7. If so: (a) on what date? (b) in whose name was the land registered on the date of purchase? (c) what was the acreage involved? (d) who negotiated the transaction? (e) what was the purchase price? (f) what were the terms of the purchase contract? (g) how much money has been paid, and on what dates? (h) to whom was each payment made?

Mr. Egan Chambers (Parliamentary Secretary to the Minister of National Defence): Mr. Speaker, the answer to this question consists chiefly of lists of names, dates, acreages and amounts of money, and I ask that it be printed without being read.

Mr. Speaker: Is the house agreeable to the parliamentary secretary's request?

Some hon. Members: Agreed.

[*Editor's note: The answer referred to above is as follows:*]

1. June, 1959.

2. Officers of the Department of Transport and the owners.

3. E. J. Miller, E. Chagnon, N. Savard, V. F. Peiffer, A. Pilon-Bertrand, C. E. Lafrance, A. Lapointe, Mrs. E. Tungate, The Province of Quebec.

4. No.

5. Not applicable.

6. No, this land was expropriated on September 14, 1959.

7. (a) Settlement of compensation claims was negotiated with the owners on the following dates:

February 1, 1961, E. J. Miller; March 16, 1961, E. Chagnon; March 16, 1961, N. Savard; March 16, 1961, V. F. Peiffer; June 2, 1961, A. Pilon-Bertrand; March 30, 1961, Mrs. E. Tungate.

(b) These properties were registered in the following names on the dates of expropriation:

E. J. Miller, E. Chagnon, N. Savard, V. F. Peiffer, A. Pilon-Bertrand, Mrs. E. Tungate.

(c) E. J. Miller, 73,640 square feet; E. Chagnon, 3.21 acres; N. Savard, 72.79 acres; V. F. Peiffer, 34,810 square feet; A. Pilon-Bertrand, 104.75 acres; Mrs. E. Tungate, 7,423 square feet.

(d) Officers of the Department of Transport.

(e) and (f) The expropriatees agreed to release the crown from all claims arising out of the expropriation upon payment of the following amounts:

E. J. Miller, $1,700; E. Chagnon, $130; N. Savard, $5,000; V. F. Peiffer, $1,200; A. Pilon-Bertrand, $9,000; Mrs. E. Tungate, $150.

(g) No money has been paid to date.

(h) Payments will be made to the registered owners.

QUESTIONS PASSED AS ORDERS FOR RETURNS

FEDERAL ASSISTANCE TO RAILWAYS, B.C.

Question No. 268—**Mr. Regier:**

1. On what dates and for what railways has the British Columbia government, or other interests, within the last fifteen years, requested federal assistance?
2. What was the amount of such assistance requested in each case?
3. What has been the response of the federal government on each such occasion?
4. Have any such requests remained unanswered to date?

PUBLIC SERVICE—COMPENSATION FOR SATURDAY STATUTORY HOLIDAYS

Question No. 269—**Mr. Martin (Essex East):**

1. Has the government received representations from any organizations or groups of civil servants requesting pay for statutory holidays which fall on Saturdays, with particular reference to Dominion day and Remembrance day 1961?
2. If so, from what organizations have such representations been received?
3. What reply has the government made to such representations?

AIR TRANSPORT

RENEGOTIATION OF U.S.-CANADA BILATERAL AGREEMENT

On the orders of the day:

Hon. Lionel Chevrier (Laurier): Mr. Speaker, may I direct a question to the Minister of Transport and ask whether there is a Canadian team from his department in Washington renegotiating the Canada-United States bilateral air agreement. If so, what success has that delegation had?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, the answer to the first part of the question is yes, we have a Canadian delegation in Washington at the present time to renegotiate the bilateral air agreement. As far as the success of the delegation so far is concerned, I have not received a report this morning, but of course we accept the fact that the present talks are only preliminary.

Mr. Chevrier: May I ask the minister a supplementary question. Is Canada seeking to obtain fifth freedom rights on a Montreal-Los Angeles route as well as on the Montreal-Toronto-Miami route?

Mr. Balcer: The position of the Canadian delegation is that we are insisting on a complete renegotiation of the bilateral agreement in all its facets. This is a long, involved discussion, and that is why I said the meeting is only preliminary. It is my understanding that the matters raised by my hon. friend will be discussed.

EXTERNAL AFFAIRS

DOMINICAN REPUBLIC—STATUS OF DIPLOMAT IN TRANSIT THROUGH CANADA

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I wish to direct a question to the Secretary of State for External Affairs. My question is prompted by inquiries from Vancouver. In view of the fact that Juan Garcia, former chief of the secret police for the late dictator Trujillo of the Dominican Republic, has reportedly been cooling his heels in Vancouver for some time while en route to a diplomatic post in Japan, and in view of reports that he is being watched or guarded by the Royal Canadian Mounted Police, can the minister inform the house as to this man's status and whether he is travelling under a diplomatic passport or visa or as a visitor? Have the Royal Canadian Mounted Police been instructed to watch or guard him? If so, for what purpose?

Hon. Howard C. Green (Secretary of State for External Affairs): The status in Canada of the Dominican citizen, Juan Abbes Garcia, is that of a transit traveller. He is travelling on a diplomatic passport with a diplomatic visa for transit through Canada to Japan where he has been appointed counsellor at the embassy of the Dominican Republic in Tokyo.

I have no knowledge of any instructions issued by the R.C.M.P. in connection with Mr. Garcia's transit through Canada.

Inquiries of the Ministry

Mr. Herridge: I should like to ask the Minister of Justice a supplementary question. Has the minister any knowledge of such instructions?

Hon. E. D. Fulton (Minister of Justice): No, Mr. Speaker, this is the first time I even knew the gentleman was in the country.

GRAIN

WHEAT—INITIAL PRICES FOR 1961 CROP YEAR

On the orders of the day:

Mr. J. E. Pascoe (Moose Jaw-Lake Centre): I wish to direct a question to the Minister of Agriculture. Can the minister inform the house when the initial prices will be set for wheat delivered in the new crop year beginning August 1? Will these initial prices take into account the recent increase in wheat board selling prices?

Hon. Alvin Hamilton (Minister of Agriculture): I cannot give the time when the government will announce the new initial prices, but when that decision is made it will be announced in due course. In so far as I am concerned, there is no intention to change the initial price for wheat owing to the new high prices. What really counts with the farmer is the final payment.

(Translation):

QUEBEC—REPORTED PROTEST AS TO TRANSPORTATIN COST

On the orders of the day:

Mr. Samuel Boulanger (Drummond-Arthabaska): Mr. Speaker, I wish to direct a question to the Minister of Agriculture. Following the brief submitted to the federal authorities by the "Fédération de l'UCC du Saguenay" and the "Chaîne coopérative du Saguenay" concerning discrimination in freight rates on feed grains and grains generally, could the Minister of Agriculture indicate whether a favourable decision has been taken with regard to these representations?

(Text):

Hon. Alvin Hamilton (Minister of Agriculture): Mr. Speaker, the hon. members for Chicoutimi and Lake St. John have been discussing this question with me in the last month or so. I hope to make an announcement in the not too distant future about some adjustment to be made in relation to this matter.

NORTHERN AFFAIRS

CANADIAN MARCONI COMPANY—REPORTED REQUEST FOR PERMISSION TO PROSECUTE

On the orders of the day:

Mr. Frank Howard (Skeena): Mr. Speaker, I should like to address a question to the Minister of Labour, notice of which was sent to him earlier. Has the minister received a request from Mr. Terrence Whitfield for permission to prosecute Canadian Marconi Company under the Canada Fair Employment Practices Act? If so, what decision was made with respect to the request?

Hon. Michael Starr (Minister of Labour): I did receive a letter from Mr. Whitfield on about June 9, in which he voiced his complaints against the Canadian Marconi Company and asked for clarification of his position with regard to the Canadian Fair Employment Practices Act. There was no formal or direct request for permission to prosecute. Following Mr. Whitfield's letter my officials have been in contact with the department of northern affairs to ascertain the facts of the case. I am waiting for a further report from my officials on this matter.

AGRICULTURE

MARITIME PROVINCES—INQUIRY AS TO AID TO POTATO GROWERS

On the orders of the day:

Mr. O. H. Phillips (Prince): Mr. Speaker, I should like to direct a question to the Minister of Agriculture. Is the minister in a position to report to the house on the negotiations for assistance to Prince Edward Island potato growers?

Hon. Alvin Hamilton (Minister of Agriculture): Yes, Mr. Speaker. I am trying to get in touch with the government of Prince Edward Island today to tell the minister of agriculture that the government has agreed to share with the province in the cost of compensation to those who have suffered losses greater than 15 per cent due to fusarium rot, to a maximum of $600 per farm.

INQUIRIES FOR RETURNS

On the orders of the day:

Hon. Noel Dorion (Secretary of State): Mr. Speaker, I have been asked about the returns concerning which the hon. member for Bonavista-Twillingate inquired on Saturday, as recorded at page 6988 of *Hansard*. These returns, it should be noted, call for orders in council for which no statutory authority exists. They are not, as he described them, returns for which no legal authority exists. These returns will require the examination of tens of thousands of orders in council running back for many years. This work has been commenced but it will take a considerable time for completion. Consequently I am not able to inform the hon. member just when the returns will be ready.

INDIAN AFFAIRS

SARNIA, ONT.—INQUIRY AS TO CURRENT NEGOTIATIONS

On the orders of the day:

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, may I direct a question to the Minister of Citizenship and Immigration and ask whether she is aware of any negotiations going on between the Sarnia band of Indians and Dimensional Investments Limited? If so, are such negotiations being carried on with the hon. lady's approval?

Hon. Ellen L. Fairclough (Minister of Citizenship and Immigration): Mr. Speaker, like the hon. member I only know what I read in the newspapers. The reported negotiations if there are such, are at this stage being carried on between the Indians and the interested parties themselves, and have not reached the stage where the department is involved.

Mr. Pickersgill: A supplementary question, Mr. Speaker. Could the hon. lady inform us whether the surrender that was executed for the purpose of making this deal is still in effect, or whether there would have to be a new surrender if there was a new deal?

Mrs. Fairclough: There would have to be a new surrender.

POST OFFICE DEPARTMENT

REPORTED INCREASE IN REMAILING RATES ON U.S. PUBLICATIONS

On the orders of the day:

Mr. D. M. Fisher (Port Arthur): Mr. Speaker, I wish to direct a question to the Postmaster General. Has the Postmaster General informed United States publishers that the remailing rate on United States periodicals in Canada will be raised 25 per cent on August 1?

Hon. W. M. Hamilton (Postmaster General): We do propose, Mr. Speaker, to increase the rate for United States periodicals placed in the mails in Canada. The new rate will be 5 cents per pound. I am not sure whether the effective date is August 1 or September 1.

Mr. Fisher: A supplementary question, Mr. Speaker. In view of the statements in the report of the royal commission on publications to the effect that these remailing rates seem to have no legislative or statutory basis, is it the intention of the Postmaster General to seek such legislation to regularize this rate?

Mr. Hamilton (Notre Dame de Grace): Mr. Speaker, we will follow the same practice which was followed when the rate was introduced some years ago.

Inquiries of the Ministry

REQUEST FOR PAID HOLIDAYS FOR PART TIME EMPLOYEES

On the orders of the day:

Mr. Azellus Denis (St. Denis): Mr. Speaker, may I direct a question to the Postmaster General. In view of the fact that part time postal employees are now required to pass examinations because, according to the minister, their wages have been increased to the wage level of regular postal clerks, for the same reason would the Postmaster General explain why part time employees do not enjoy holidays with pay as the regular postal clerks do, which I am sure the minister would agree would be the humane thing to do?

Hon. W. M. Hamilton (Postmaster General): Mr. Speaker, I can understand the hon. member's preoccupation with holidays at this stage in our parliamentary session. I think many hon. members are preoccupied with the same consideration. I must say this is the first time I ever heard an increase in salary argued as the basis for holidays as well.

In this particular case these people are working three or four hours a day. It is not full time employment. They are perfectly free to arrange for holidays if they wish. There would seem, with respect to part time employees, no obligation to pay them for their holiday time under our present regulations.

Mr. Denis: A supplementary question, Mr. Speaker. Is the minister aware that in the province of Quebec the employers of part time employees have to grant holidays to their workers? In the case of those who have worked for less than six months they grant at least 2 per cent of the wages earned during the time they have been employed. The Postmaster General must know that those part time postal employees are working seven days a week—

Mr. Speaker: Order. The hon. member has completed one question, and I think he should give the minister an opportunity to answer if the minister wishes to do so.

Mr. Hamilton (Notre Dame de Grace): Mr. Speaker, I am not interested in pursuing this debate at this time. There are appropriate occasions when this subject might be raised on my estimates.

(Translation):

Mr. H. Pit Lessard (St. Henry): Mr. Speaker, may I ask a similar question of the Secretary of State? Would he consider the possibility of giving all part time government employees the same right to paid holidays as permanent employees get?

Hon. Noel Dorion (Secretary of State): Mr. Speaker, I think the question actually con-

cerns so many departments that I could not answer it. In fact it is rather a matter of government policy.

PUBLIC SERVICE

POSTAL DIRECTOR, DISTRICT NO. 2—BILINGUAL REQUIREMENT

On the orders of the day:

Mr. Alexis Caron (Hull): Is the Postmaster General in a position to reply to the question I asked him two days ago?

Hon. W. M. Hamilton (Postmaster General): The Ottawa postal district includes the eastern Ontario area up to Peterborough and only a small part of Quebec.

The largest post offices in the area are those of Ottawa, Hull, Cornwall, Brockville, Prescott, Kingston, Belleville, Picton, Trenton, Cobourg, Peterborough, Perth, Smiths Falls, Arnprior, Renfrew and Pembroke.

Consequently, bilingualism is not an essential requirement in the competition for the position of district director, but as always, a bilingual candidate would have an advantage in the competition.

Under the district director there are four regional superintendents, and most of the Quebec section of the district is under the jurisdiction of a bilingual regional superintendent who also looks after that part of eastern Ontario where most of the communities mentioned by the hon. member are located.

Mr. Caron: Mr. Speaker, may I ask a supplementary question? Will applicants in this competition have the privilege of answering the questions either in French or in English, as they prefer?

Mr. Hamilton (Notre Dame de Grace): That question, I think, is a matter for the civil service commission. However, I think the usual practice is that the applicant is allowed to answer in either of Canada's official languages.

(Text):

PUBLICATIONS

ROYAL COMMISSION REPORT—EFFECT OF IMPLEMENTING RECOMMENDATIONS

On the orders of the day:

Mr. Frank Howard (Skeena): Mr. Speaker, I should like to direct a question to the Postmaster General and ask him whether he has been advised by *Reader's Digest* that if the recommendations of the O'Leary commission are put into effect, *Reader's Digest* will lay off some 400 employees in Canada?

[Mr. Dorion.]

Hon. W. M. Hamilton (Postmaster General): Mr. Speaker, I understand that representations have been made to various ministers within the cabinet by *Reader's Digest* and their employee associations. I have received some representations. I am not completely conversant with the details, but I remember that a claim somewhat along those lines was made.

FINANCE

INQUIRY AS TO APPLICATION FOR BANK MERGER

On the orders of the day:

Mr. Frank Howard (Skeena): I wish to direct a question to the Minister of Finance and ask him whether there is presently before him an application for the merging of the Bank of Nova Scotia and the Toronto-Dominion Bank.

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, I have no application.

HOUSE OF COMMONS

BIRTH OF DAUGHTER TO WIFE OF MEMBER FOR ST. JOHN'S EAST

On the orders of the day:

Mr. Frank McGee (York-Scarborough): Mr. Speaker, I have a question for the Minister of Finance relating to an increased demand on the consolidated revenue fund in the form of a family allowance which will be paid to Mrs. James McGrath, wife of the hon. member for St. John's East, who gave birth yesterday to a nine pound two ounce girl.

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, I am sure that all hon. members will agree that no family allowance was better earned.

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed, from Tuesday, June 27, consideration of the motion of Hon. Donald M. Fleming (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means, and the amendment thereto of Mr. Benidickson.

(Translation):

Mr. Guy Rouleau (Dollard): Mr. Speaker, when the house adjourned last night I was dealing with the rather unpleasant records to which four years of Conservative administration in this country had led. Yet, in view of those records I mentioned last night, the Conservatives persist in saying that the situation in Canada could not be better. As

I cannot believe that the government is either blind or in bad faith, let me say this—the Conservative party has beaten another record, that of naivety.

In the light of all those rather unenviable records and their disastrous results for the nation, it is not surprising to find that the Conservative members are reluctant to participate in this debate. When you see them so silent, you would think they are attending someone in the throes of death. There is not even a whisper. They are awaiting the demise of this government and trying to keep it alive a little longer by giving it shots in the arm like the Coyne affair, which I am sure, will have no effect whatsoever.

After months of anguish and hesitation on the part of the Minister of Finance and of anxious expectation on the part of our people, the Minister of Finance, in all his greatness, has at long last condescended, at the very last moment, to submit a financial report on the country's business together with the budget for this fiscal year which is a few months old already.

Considering how long it had taken to prepare it, we were entitled to expect, if not a masterpiece, at least a decent piece of work, but the minister just gave us a daub, and a bad one at that.

As Mr. Paul Sauriol wrote in *Le Devoir* of June 22, 1961:

> That document scarcely answered the public's expectation. It contained no surprise and hardly any changes in the taxpayer's yearly return—Such a budget should make one think, because it reflects disquieting problems in our national economy.

The minister had indicated an expansionist fiscal policy, but as I said last night at the beginning of my remarks, the expansionist trend of the budget only applies to the deficit.

There are, of course, new tariff barriers in it and on the whole it will add to the burden for the Canadian taxpayer.

The average Canadian will suffer from the devaluation of the Canadian dollar more than he will benefit.

Anyhow, that fluctuation is a new contradiction, or rather a new about-face in fiscal matters on the part of the minister.

In his budget speech, last year, the minister had objected to all suggestions in favour of a fluctuating Canadian dollar on the world market, and vehemently denounced it, stating that such a policy would necessarily require the purchase of uncalculable amounts of American dollars, which would be a bad thing for our economy.

Yet, this year, he advocates the policy which he had radically rejected at that time.

What will be the direct results of this policy for the Canadians? We will have to pay more for imported goods and heaven knows how much we must rely on imports for our day to day requirements.

This is what was written by Mr. Norman Campbell, parliamentary reporter for the Ottawa *Citizen* in the June 21 issue of that paper:

> There is nothing much in the budget for the consumers except the prospect of higher prices.

This is where we stand after four years of a Conservative administration. From its prosperous position of 1957, Canada has now fallen to the depths of an economic slump. We are facing all kinds of economic difficulties resulting in unemployment and concern for thousands of families who only ask to be allowed to work, to live and to share in the tremendous resources with which this country was endowed by Providence.

We are all the more entitled to demand from the Conservative government an account of the administration of the nation's business entrusted to them by the people, since the present government had promised them the moon and stars.

Everybody remembers the famous statement made by the Conservative leader:

> As long as I am Prime Minister of Canada, no one will suffer.

In another sermon delivered before the young Conservatives of eastern Quebec, in Quebec city, on December 8, 1957, he made the following statement as reported in *La Presse* for December 9:

> The Conservative party considers it its mission to rebuild the country from its ruins... You can be sure that it will not fail in its task and that, in its activities, it will never forget the beauty and greatness of our dear country.

Mr. Speaker, I am willing to believe the Prime Minister when he claims that he has the beauty and greatness of our dear country at heart, but I readily maintain that the result of his four years of administration has proved that he and the members of his government do not have the required administrative qualifications to achieve that purpose.

They took over a prosperous Canada and are leading it to bankruptcy. If the government has its reasons to demand the resignation of the governor of the Bank of Canada, if it passes a special act to remove him, the Canadian people are justified in withdrawing their confidence from the present government and they are logical in doing so. They will be justified in replacing this government by another at the next rendering of accounts when we go to the country.

Yes, members on the government side should indeed be hesitant to participate in the present debate.

In order to distract the public's attention from the sad state of the nation's affairs, the Conservative government has been making, through its Minister of Finance, a lot of fuss about the Coyne incident, and this just before the budget presentation.

If that incident were not so tragic, it could be called: A comedy in three acts by Donald Fleming. Producer: Donald Fleming; Star actor: Donald Fleming; Publicity: Donald Fleming.

In the first act enters the Minister of Finance cast in the part of an offended virgin; he goes into a tirade—the governor of the Bank of Canada had a $25,000 a year pension voted for himself, without my knowledge. What a shame. He must resign, he has to go at once.

But the strange and bewildering thing is that this pension was voted 16 months ago by the board of directors appointed by the Minister of Finance himself, and in the presence of the assistant deputy minister of finance. Surely all these people must keep quite a lot of secrets from the Minister of Finance, since, during a period of 16 months, he was kept unaware of what had been going on in an organization of which he is the boss on behalf of the Canadian taxpayers.

Then the curtain rises on act two. The scene has changed. Enters the same actor in a new part and with new lines.

The governor's pension hovers in the background. Now, the governor must quit because he and the government do not agree on economic and monetary policies.

All this is quite hard to follow. The plot of the play is getting complicated. In 1954, the present Minister of Finance who then sat on the banking and commerce committee agreed with Mr. Graham Towers, who was then governor of the Bank of Canada, that in case of a serious difference between the governor and the government in matters of economic and monetary policy the governor was bound to resign.

Since he took over as Minister of Finance, the hon. member for Eglinton went through a certain evolution and has been contending for the last four years, especially when faced with criticism concerning credit limitations, that he could not do a thing because monetary policy was outside his realm and within the exclusive province of the Bank of Canada.

And yet in February 1961, he asserted in the house that there was no dispute between him and the governor of the Bank of Canada. So, according to the minister, they were on good terms then. In February 1961, there was the brotherly hug and the curtain fell on the second act.

Then the curtain rises again on the third and final act, to wind up the play.

It was the budget speech. The minister gave a good performance. His lines kept him going during two and three quarters hours, and the minister did not even stop for a drink. During those 165 minutes of speech, he barely spoke a few minutes in French for the gallery.

An hon. Member: That was more than previously.

Mr. Rouleau: That torrent of words did not give rise to a strong reaction. To hide the omissions, the deficiencies of his speech, the minister wound up in a high voice, he looked up, pointed an angry finger and ruthlessly condemned the governor of the Bank of Canada: "There is the man responsible for all our ills. It is because of him that we have deficits and unemployment, his policy is wrong, he must go, he must resign. If he does not resign, I shall throw him out." Exit the governor. The minister calmly resumes his seat and the curtain falls. The volunteer firemen gratefully enter to put out the fire.

The audience—in this case the Canadian taxpayer—remains puzzled and again it has to pay the cost.

Deficits will continue to accumulate; the debt will continue to rise; the servicing of the debt will continue to increase; consumer products will be more expensive; unemployment, unfortunately, will still exist, and next year, before the election, someone will be found to bear the blame for the government's deficiencies.

For the characteristic of this government is to find someone on whom to cast the blame. There must be a scapegoat to explain the bad administration of the nation's business, resulting from inexperience, incompetence, lack of any sense of responsibility, indecision and complacency.

We could forgive all that to the present regime when it took over four years ago. The government was then progressing timidly, like a child taking its first steps. But today, the government, without ever having reached adulthood, is proceeding with the clumsy gait of a centenarian. The government is already suffering from senility.

Four years ago, our friends opposite made their first faltering steps, tripping on the minutest speck of dust, accusing their Liberal predecessors of being the cause of their failure or throwing themselves into the latter's bosom saying: "Tell us what to do, save us please."

Today in the throes of death, they are looking for scapegoats and behaving like old people who, having made a mess of their own lives, are in despair and blame both God and men for their failure. But they are the only ones to blame.

Still, they received a nice inheritance. The finances of the country were in order, prosperity was the attribute of Canada which caused the nations of the world to wonder in awe.

If, during those four years, the opposition have been critical—as it had good cause to be—they have also expressed their views and put forward concrete suggestions. Those suggestions fell upon deaf ears.

And now the governor of the Bank of Canada is being blamed for the whole thing. Long before today we have had occasion to say how much we disagreed with his policy. The minister used to reply that he was in agreement with the governor. We had no call to demand his resignation. We feel that when a public servant, whoever he might be, is called upon to advise the government, he has a strict duty to carry out its orders, or else he ought to tender his resignation. If he fails to do this, the government must immediately take action.

According to the minister in February 1961, only four months ago, there was no disagreement between him and the governor. Suddenly, just before the budget is brought in, the conflict breaks out.

Under those circumstances the opposition and the people of Canada have a right to ask that light be shed on the matter, that the governor and the minister be summoned before the banking and commerce committee to explain their positions so that facts may be assessed on their merits.

To our fair request the minister's answer is no. He will have only himself to blame if we harbour doubts and if the people of Canada are not satisfied.

Because of the conflict between the two men, the budget was introduced without the assistance of the governor of the Bank of Canada. He was not consulted nor even advised. This is a further source of concern to Canadian taxpayers, businessmen, industrial leaders, financial institutions and nations that do business with Canada. In the last few years, the Conservative government should have been fighting unemployment. Instead of this they have been fighting inflation through credit restrictions. Today we are faced with the results of that mistake.

The last budget is leading the ship of the nation into uncharted seas.

The experience of the last four years prevents us from trusting the pilot, in this case the Minister of Finance.

Our only hope now is to change the pilot before the ship goes down.

Directors who commit error upon error and accumulate deficits would not be kept long at the head of any corporation. The same thing applies to the government. This country's shareholders do not want to face bankruptcy; they look forward to the day when they can change their board of directors, before it is too late.

Mr. Paul: Would the hon. member allow a question?

Mr. Rouleau: Certainly.

Mr. Paul: The hon. member blamed the Minister of Finance for having spoken very little French during his budget speech.

Would the hon. member name a minister of finance in any Liberal administration who spoke French when introducing his budget in the house and, if so, would he give us the reference?

Mr. Rouleau: Mr. Abbott did give part of his speech in French when introducing a budget.

Mr. Paul: In what year?

Mr. Rouleau: I cannot give the hon. member the exact reference, but I know that he will be able to look it up himself.

(Text):

Hon. Lionel Chevrier (Laurier): Mr. Speaker, the budget is always a subject of major interest in any session. This year a desperate government, well aware of the political erosion it has suffered in the last two sessions as a result of its haughty contempt for parliament and its unbridled lust for power, has staked all its chances on the budget. It is the kind of budget that might be expected under those circumstances.

It is a budget full of pretence. It claims to be anti-inflationary. It is nothing of the kind. It is a delusive budget. It seeks to make people think they will be taxed less when the fact is that they will be required to pay more in taxes. It seeks to make people think that the government is holding the line against inflation when it is not.

It is a cynical budget. It contradicts what the government has been saying and doing. It is an opiate budget. The government openly boasts that the public has a short memory and can be made to forget the past as well as the present welter of the government's own contradictions.

It is a transparent budget. Its pose cannot hide its timing and purpose. It is an illusory budget. It proposes changes, large in number but small in individual extent in every case, and seeks to create the impression of importance by their mere multiplicity. The banquet table is long. It is well dressed. The best silver and china are used. The lackeys are well trained, but the fare is thin. The guests have left unsatisfied.

Mr. Churchill: What is the quotation from?

Mr. Chevrier: Mr. Speaker, those are not my words. They are the words of the Minister of Finance when in the opposition he spoke in this house during the consideration of the budget on March 21, 1957. They were words which he addressed to the house four years ago concerning the last balanced budget which this country has seen.

(Translation):

Mr. Speaker, I now wish to turn to another matter and address myself particularly to the Secretary of State (Mr. Dorion), because he did take part in the budget discussion.

In fact, he spent minutes congratulating the Minister of Finance for his masterful speech.

It is usual for an hon. member to congratulate the Minister of Finance, but when a member of the same cabinet commends his colleague, it is something rather strange, because in fact, he congratulates himself.

Does that not show a lack of solidarity as between members of the same cabinet? We had occasion in the past to witness a deep seated difference of opinion between the Minister of Transport (Mr. Balcer) and some of his colleagues. I refer to the case of the C.B.C. producers' strike in Montreal. The Minister of Transport said the strike was legal, while the Minister of National Revenue (Mr. Nowlan) called it illegal. Placed between the two was the Minister of Labour (Mr. Starr), who did not dare to say whether it was legal or not.

The Secretary of State spoke of last year's budget. It matters little, he said, if the December forecasts met with adverse winds.

Indeed, Mr. Speaker, last year's budget met with highly adverse winds.

In analysing this budget, there are four different aspects to consider.

First, let us look at the forecasting errors of the Minister of Finance. Last year, he predicted that we would have a surplus of $12 million. What happened? He first said there would be a deficit of $285 million, and it finally reached $345 million.

Surely, that is a very serious error, which had never been committed before by a Minister of Finance in bringing down his budget.

Do you think, Mr. Speaker, that in the circumstances the estimated deficit of $650 million for the current year will prove more accurate?

Last year the Minister of Finance told us that unemployment would disappear with the melting of the snow. Yet we have now a greater number of unemployed than we ever had in the past 20 years.

The Conservatives claim that this is something they inherited from the Liberals.

The truth is, they cannot stand on their own feet, they cannot accept their own responsibilities.

They always have to find an excuse, the Coyne case for instance.

The Minister of Labour stated in early March, 1960 that the 1958 recession was over.

That statement was true. How, then, can the Conservatives claim that the Liberals are responsible for the new recession which began only in 1960?

Last year we were told that the recession was over, that there would be prosperity throughout the country. Unemployment is on the rise. It has now reached 7 per cent of the labour force in Canada. Who should be blamed for that situation?

In 1957, the Liberals left the Conservatives a legacy worth recalling.

The Liberals left an unemployment insurance fund of $900 million. That fund has dropped to less than $100 million and yet the government does not make the slightest move to improve the situation.

The minister stated that the national product was going to increase by 6 per cent, but the increase was only 3 per cent.

Are we, in the circumstances, to put faith in the minister's budget forecast, when he says that the deficit will reach between $600 and $700 million?

Is it not more likely that the deficit will reach the billion dollar mark?

Another point: the omissions in the budget. The minister did not provide anything for farmers.

What cure did the Minister of Finance propose to the Canadian farmers? Not long ago, he made a speech in which he told farmers to work and to save money.

How could Canadian farmers, especially those from the province of Quebec, work and save money when they barely earned enough to make a decent living?

An attempt by the government artificially to lower the external price of the Canadian dollar would involve borrowing or raising by taxes very large sums of money with which to buy up foreign exchange.

The dominion bureau of statistics has supplied figures to show it. In 1959, farmers net income was down 11 per cent; during the session, the Minister of Agriculture forecast that farm income in 1960 would be still lower than in 1959.

What is happening today, in 1961? At a time when farm income is steadily decreasing, the Conservative government advises the farmers that they must save and work; it provides nothing at all for them in the budget.

There is nothing either in the budget for underdeveloped areas. The budget provides nothing for our trade policy except for the maintenance of protectionism.

With one hand, the Minister of Finance promotes freer trade and with the other hand he leans towards protectionism.

Third, he said that interest rates would go down. If he actually has to borrow $1 billion, how will he manage to reduce interest rates? Moreover, he will have to get funds for the C.N.R., for all the crown corporations and for a number of non-budgetary items which I cannot enumerate because I have not enough time at my disposal.

That is, therefore, contradictory. If, on the one hand, interest rates are to go down, while the interest on the debt keeps on increasing, on the other, how will he succeed in borrowing those huge sums of money and reduce interest rates at the same time? Unless, of course, the person who is appointed as governor of the Bank of Canada increases the money supply, becomes the government's handyman and does exactly what the government tells him to do. If, by any chance, that happened, we would have inflation. Prices would go up, the cost of living would go up and, consequently, pensions would lose a great deal of their value.

Fourth, I should like to speak of the exchange rate. The devaluation of the Canadian dollar has been mentioned. The minister advocated a significant reduction in the value of the Canadian dollar. But when asked, in the house as well as during a press conference, what would be that significant devaluation, he refused to answer. However, his present stand is in direct contradiction with the one he adopted last year. Here is what he said about devaluating our dollar in his budget speech of March 31, 1960:

In other words, we would have embarked upon a gigantic financial speculation without any chance of success. Yet, this year he is embarking himself upon that gigantic speculative action he condemned last year.

Mr. Speaker, this gigantic speculation is the only action spelled out in the present budget. As the minister said, to significantly reduce the value of the Canadian dollar, we must buy American dollars. For how much? We do not know. How? We do not know either. Apart from the billion already referred to I do not think this is the right way to go about it. It is better to let the Canadian dollar finds its own level than to resort to artificial means of devaluating it.

The directors of the international monetary fund have already reminded the Canadian government of engagements entered into with that institution and, more particularly, of its pledge to maintain our currency at par. This will therefore entail heavy buying of American dollars. To reduce the value of the dollar is, consequently, to increase the cost of living, the cost of everything we import into this country. And everyone knows that we import much more than we export. This means, therefore, an increase in the cost of living. Recently, a probable one cent increase in the price of bread has been forecast.

The minister also favours an expansionist budget. It is obvious that this expansion will directly lead us toward inflation. The capital of the industrial development bank is to be increased from $160 to $400 million. But while the government propose to increase the capital of that bank, what steps are they proposing with respect of the economically underdeveloped areas? Not only is there not a single word in this budget about the underdeveloped areas of Canada, but no assistance is provided for them. No municipal fund where the municipalities could borrow. The municipalities will find it difficult to borrow in Canada. For a few years they have been borrowing in the United States at rates lower than in Canada; today, due to the devaluation of our dollar and the premium on the American dollar, they will not be able to borrow in the U.S. any more.

The real cause of the present economic stagnation is the fiscal and monetary policies of the government. They have increased long term expenditures instead of reducing taxes. They dealt with the recession as if it

were a depression. Long term expenditures have brought about budgetary deficits; we have now reached the fifth budget and the accumulated deficit reaches $2 billion. The government had to sell bonds to make up the deficit. The Bank of Canada had to increase the money supply by $1,700 million, or 16 per cent. The result was inflation, and the bank had to check the inflation.

The government had to borrow to make up its deficit, and in doing so, found itself in competition with private enterprise, corporations, companies, municipalities and provinces all across Canada. What did this mean? It had to raise interest rates, to the serious detriment of the small borrower, to the man in the street.

Interest on the debt went up by $300 million. The public bodies borrowed in the United States, as I said a moment ago.

The tightening of credit had disastrous effects on small borrowers, on trades people and merchants.

As for secondary industry, it suffered more than anyone else. All we have to do is to compare the present situation with conditions prevailing from 1945 to 1957 to know where things stand. Indeed, the *London Economist,* in an editorial dealing with the way in which Canada managed its business and budgeting, said this:

No country in the world has managed its economy as efficiently as Canada has done.

Yesterday, the Secretary of State spoke about textiles. He upbraided the hon. member for Drummond-Arthabaska (Mr. Boulanger) for what the latter had said with regard to that industry. Yet, no member in this house is as keen and shows greater interest in this matter which affects the people in his riding, as the hon. member. On several occasions, he rose in this house to defend their interests. He is interested in textile workers and has shown it on many occasions.

With regard to the textile industry in Canada I shall say that, in the last four years, several plants had to close down. I have a list here and can name them. To quote a single instance, in Hamilton, the very riding of the Minister of Citizenship and Immigration (Mrs. Fairclough), that industry was employing 1,000 workers. There are also textile plants at Grand'Mere, at Cornwall, three of which at least closed down—but never mind.

In the last four years, as was said in committee of the other place, the number of textile workers has decreased by 25,000. However, the crux of the matter is that the present government, whose members are facing me, had promised to settle that problem. The Prime Minister himself, when he travelled through all ridings with textile mills, stated that, as soon as he took over he would protect that industry, thanks to his good management and adequate methods.

I lack the time to read those statements into the record, but as everybody knows, the Prime Minister of Canada declared that, once in power he would protect the textile industry as well as he had protected agriculture.

In 1958, he submitted to the house a bill known as the anti-dumping legislation in order to help the textile industry. Here is what a parliamentary correspondent, Mr. Richard Gwyn, had to say on June 1, 1959, under the heading:

(Text):

Government has means to curb textile imports

The government now has in its hands an instrument which could save the textile industry without any further action. This is Bill C-51, known as the "anti-dumping legislation."

C-51 gives revenue minister George Nowlan power to slap high tariffs on any goods dumped on the Canadian market at prices lower than production costs plus a fair profit mark-up.

More important he has the power to place prohibitive tariffs on goods coming in from countries where production costs are far below those of Canada.—

Only trouble is the government hasn't used C-51, though it has been on the statute books a year.

(Translation):

That legislation was passed by parliament almost three years ago. Why is it not used?

(Text):

Mr. Bell (Carleton): Did the hon. gentleman vote against it or for it?

Mr. Chevrier: The point is that the Minister of Finance said at the time that this was going to be of tremendous assistance to the textile industry, but why has the government not used it? I doubt very much if it has used it on more than half a dozen occasions.

(Translation):

The Secretary of State referred to what the Bennett government had done with regard to textile mills. Let me say to him that from 1930 to 1935, when the Bennett government was in office, textile workers suffered as they suffer today, and notwithstanding the assertions of the minister, it does not seem that the problem can be settled through increased tariff protection. And to prove my point, I shall quote from a statement made by the president of the primary textile institute, Mr. Berry, before a Senate committee:

(Text):

Our position on the tariff could be put quite briefly, and it is this: We have just barely completed a three-years' review by the tariff board of tariffs on textiles, and whatever we might think

of the results, we must conclude that the revisions that have been made have been made within the framework of the present Canadian policy. We only have two comments to make on that policy, and one is that a policy which allows penetration into a market to the extent which has become apparent in our business is not likely to be a good policy for Canada for an indefinite period. Our views on that are somewhat supported, we think, by an observation that the tariff board itself made, in their first report in the textile series, having this to say: "There may be recommended for the industry a measure of assistance that will permit it to continue to fight for its existence at least until such time as there may be initiated by the proper authority a carefully considered decision on high policy regarding the future of the industry." This indicates to us that the board was probably then in need of policy direction, and in so far as we are aware none followed.

That was the statement.

(Translation):

Mr. Berry made that statement in reply to a question. When someone asked whether he anticipated any tariff assistance, he said no, just as he had said in the Senate committee, as reported on page 1014 of the record of proceedings.

(Text):

I see that my time is fast coming to a close. I did not want to complete my remarks without saying a word about the statements made yesterday by the hon. member for Stormont. Unfortunately, he is not in his seat. I told him I had a few nice things to say about him.

Mr. Cathers: Why?

Mr. Chevrier: Well, I have never said any unkind things about the hon. member for Stormont, and if the hon. member follows me closely he will see that I will do the same thing again today, unlike the manner in which his colleague proceeded.

The hon. member for Stormont seems to be very jealous of his prerogatives as a member of parliament, and that no one should interfere in his constituency. Well, Mr. Speaker, do you think even if you are invited by the constituents of the hon. member you should not interfere? I have been invited on numerous occasions. I should like to say to this house that I receive perhaps as much mail from the constituency of Stormont as does the hon. member himself. I cannot explain why the hon. member's constituents come to me for advice. They do, they have and they will continue to do so. It is easy for me to understand why the hon. member is annoyed. He is annoyed not so much at me—

An hon. Member: Just bragging again.

Mr. Chevrier: He is annoyed at himself because his constituents will not come to him. The proof of this lies in the fact that on matters concerning the St. Lawrence seaway, particularly those having to do with pilotage, they came to me. Is it not strange that they came to the member for Laurier and not to the member for Stormont? A debate took place on that legislation for almost two days. The member for Stormont was not even in his seat. The bill was referred to the committee on railways, canals and telegraph lines. We had a discussion that lasted two days. Again the member for Stormont was not in his seat except in the dying hours, and then only at the request of the hon. member for Port Arthur who said, "Where is the member for Stormont?" He came in and this is what he said:

I am vitally concerned with anything having to do with the seaway but I am not directly concerned with the pilots as there are none of them residents in my area.

Mr. Chevrier: There are several sitting right behind you now.

The hon. member did not even know there were pilots in his riding. There have been pilots in the constituency of Stormont since time immemorial; since I was a child I remember seeing pilots walking up and down the streets. Furthermore, the Minister of Transport was asked whether there were any pilots in Cornwall and he said "Yes, sure, there is a pool of pilots that has been established there; there are 21 or 24."

Here is this man who makes a vicious attack on me, and I understand why. Again I say it is not because of me. He is annoyed at himself, and he is doing his constituents a great disservice first when he says there are no pilots in his riding. I am sure they would like that. Second, he is also doing his constituents a great disservice when he says that the constituency of Stormont, particularly Cornwall, is a depressed area. Imagine a member of parliament rising in the house and so maligning his constituency by saying that it is a depressed area.

Mr. Pallett: What about the member for Niagara Falls?

Mr. Chevrier: What do you think industry is going to do in that respect? Then again he complained bitterly about the locks being on the United States side, and the place being stranded, and so forth. He seems to forget entirely that there is a 27-foot waterway right in front of Cornwall on the Canadian side from St. Regis island right up to the dike. It is so patent that the Minister of Public Works would not be spending $400,000 and perhaps more to put a wharf there if there was not a deep-sea channel in order to bring deep-sea vessels. Therefore when he suggests there are no 27-foot facilities again he is maligning his constituency and doing his constituents great harm. He is not only

doing them great harm but he is causing a great deal of embarrassment to those who have supported him since he was elected.

Mr. McCleave: Will the hon. member permit a question?

Mr. Chevrier: At the end of my remarks. He says the seaway building which has been erected there is not appreciated. Well, the seaway building employs almost 150 people. I see he has been not only firing some of those who were there before but he is employing, I am sure, friends of his in this building. There is no doubt that this building which he depreciates on the one hand is one in which he is most anxious to put workers on the other.

Again, he does not like the idea of a power block having been set aside for United States industrial development and no power block for the province of Ontario. He says that is the fault of the then member for Stormont and the former minister of transport, who should have seen to that. Well, we all know who is in charge of the government of the province of Ontario. Premier Frost is the head of that government. I am told he is a very close friend of the member for Stormont. They are great buddies; they see each other quite frequently. I hope the member for Stormont will make the required representations so that Cornwall and the whole St. Lawrence valley in that area will get a block of power for industrial development in the same manner and to the same extent as did the New York side of the line.

I say the member for Stormont has ignored the pilots who live in his riding. He calls his constituency a depressed area. He emphatically states no 27-foot facilities are established there. In saying these things he is doing great harm to the constituency. He says that the canal ends in a high wall 80 feet in length. But a turning basin has been made available there in the same way as there is a turning basin in the Lachine canal so that ships can move in and out. I say that no one is doing more harm to his constituency than is the hon. member by his statements.

Mr. McCleave: Will the hon. member permit a question? Is it not true that most of the mail from the riding of Stormont—

Mr. Deputy Speaker: Order. The time of the hon. member having expired, questions may be put to him only with the consent of the house.

Some hon. Members: Agreed.

Mr. McCleave: Mr. Speaker, I was going to ask the hon. member for Laurier if it were not true that most of the mail directed to him from the riding of Stormont was to tell him to stay away because of what had been done to the city of Cornwall under his administration.

Mr. Chevrier: The senior hon. member for Halifax must be living pretty close to the member for Stormont. No, that is not the kind of mail I receive; otherwise the pilots would not have come. It is not the kind of mail I receive; otherwise I would not be invited into the constituency, and I could be there quite often. No, that is not the kind of mail I receive. On the contrary, I receive every week from the constituency of Stormont demands for assistance and advice. I can only conclude one thing, namely that if the member for Stormont were looking after his constituency in the way he should, I would not be receiving that mail.

(Translation):

Mr. L. J. Pigeon (Joliette-L'Assomption-Montcalm): Mr. Speaker, the hon. member for Laurier (Mr. Chevrier), in a desperate effort, tried to have the house believe that the new budget did not have the support of the Canadian people.

You need only read the comments in the press, the statements made by businessmen in various segments of the economy, to realize that the Canadian people support this budget.

In fact, according to the Canadian Press, the primary textile institute has stated, following the tariff changes announced by the Minister of Finance (Mr. Fleming) in his budget speech, that some aspects of those changes are encouraging for the primary textile industry in Canada. The institute stressed the fact that the government's decision not to lower tariffs on textile products was particularly welcome in view of the competition from Asian countries.

Ever since he has been in this house, the hon. member for Sherbrooke (Mr. Allard) has been the champion of the textile industry in Canada and I wish to commend him for that.

Mr. Denis: Without success.

Mr. Pigeon: In fact, the hon. member for Shefford (Mr. Boivin) even commended last year the hon. member for Sherbrooke for his courage and efforts in favour of the textile industry.

When this government took over, Mr. Speaker, the Liberals had completely sabotaged the textile industry. Everything had to be built up again. I have here a brief of the primary textile institute which praises the Minister of Finance because, in his budget,

he began to put the tiller right so that the textile industry may live again the life of yesteryears.

Besides, the Canadian exporters, according to Mr. John McDerby, general manager of the Canadian exporters association, find the Fleming budget satisfactory, generally speaking.

The Canadian automobile association, which has a membership of 600,000, commended the government for having granted its request for the abolition of the 7½ per cent excise tax on passenger cars.

The hon. member for Laurier (Mr. Chevrier) did not mention that. He said that the Fleming budget did not meet the needs of Canadians.

However, I have here the many statements made by businessmen in this country.

In the cigarette manufacturing industry, for instance, Mr. J. H. Devlin, chairman of the Rothman company, said he was satisfied with the change announced in the excise tax on cigarettes. He said that the decrease in excise tax would result in longer cigarettes and an increase of tobacco purchases by the Canadian industry. Mr. Devlin added that tobacco purchases will increase by nearly 10 million pounds compared to last year.

Speaking for the farmers and the tobacco growers of Joliette-L'Assomption-Montcalm riding, I should like to congratulate the minister for having taken this step which will prompt the tobacco growers to increase their production and thus to obtain higher returns.

Mr. John Magee, secretary of the Canadian trucking association, spoke very highly of the decision taken by the government in its new budget to increase the capital of the industrial development bank so that it will now be able to lend up to $400 million. Before, the credit margin was only of $160 million. Moreover, the new budget gives the bank the right to loan money to all groups of industries.

Mr. Speaker, I have only given the testimony of a few Canadian industrialists. The newspapers are filled with them, as one can see in reading the financial pages.

Only the Liberals are disappointed. They are not satisfied, because they realize that their popularity is now going down in the country. They know that they are disappearing from the electoral map and that they will probably disappear for good unless they amalgamate with the New party to have at least a few representatives in a corner of the house.

I have here a copy of *Le Devoir* of Tuesday, June 27, 1961, where I find this:

Liberal party and N.P. amalgamation recommended by Liberals.

Milford Bay—To the dismay of the majority of the delegates who were at a dance party, a group of young Liberals of the Ontario association of young Liberals adopted a resolution recommending the amalgamation of the Liberal party with the New party in order to defeat the Progressive Conservatives.

The Liberals themselves admit they are defeated. They know that the voters have no more confidence in them, but, in order to stay in the opposition after the next election, they want to amalgamate with the New party, for they know that they will disappear from the electoral map, because they have lost contact with the people. Besides, they have always been remote from the people, they have never cared for the people.

Here is what I read, Mr. Speaker:

Wheat producers favoured by the budget.

The farmers form an important class. The Liberals speak of unemployment, but they forget the statement of their leader (Mr. Pearson). *Time* magazine of February 17, 1958 reported the following on page 14:

It would be stupid and unfair to blame the Conservatives for the present unemployment.

Therefore, the present Liberal leader criticizes the hon. member for Laurier, as well as all Liberal members in this house who claim that the Canadian government is responsible for unemployment. They are condemned by a statement of their own leader.

Then again, *La Presse* of September 23, 1960, reports a similar statement by Mr. Pearson:

Unemployment, he added, is the concern of all levels of government; it cannot be considered the sole responsibility of the federal government.

That is a further condemnation of the hon. member for Laurier and of the Liberals who sit in this house. That is why the young Ontario Liberals are right when they say their party should merge with the New party; they know that the political ground is getting slippery under their feet.

There is talk about unemployment. But here is what Mr. Georges Villeneuve, a former Liberal member of parliament for Roberval, had to say when the Liberals were in power, as reported on page 614 of *Hansard* for January 27, 1955:

Mr. Speaker, I find that in my constituency unemployment does not cause as much concern now as it did last year.

Not as much concern as last year. That means that in 1954, under a Liberal administration, unemployment was causing concern.

He added:

However we have seasonal unemployment and it is a problem which requires our attention as well as all our ingenuity if we want to solve it.

That is a further condemnation by a Liberal member, Mr. Speaker.

I wish to congratulate the Minister of Trade and Commerce (Mr. Hees), the Minister of Finance (Mr. Fleming), and their colleagues in the cabinet for the efforts they are making to stimulate our economy.

Once more I encourage labour unions and industry to launch a campaign in order to have Canadians buy Canadian products.

Are we aware, for example, that each Canadian buys an average of foreign products amounting to $262 a year, when the corresponding average is only $48 in England and $28 in the United States?

I ask my fellow citizens to buy Canadian.

Canadian manufacturers of capital goods will now be in a better position to compete on foreign markets. To finance their sales abroad they will have the support of a company put up jointly by the larger banks of Canada and the federal government with a view to extending credit facilities to our exporters. It will be easier this way to find buyers for our products.

The Minister of Trade and Commerce (Mr. Hees) is to be commended for such enterprising spirit.

Mr. T. R. McLagan, president of the Canadian Manufacturers' Association said in Montreal as reported in *La Presse* of October 28, 1960:

A strong policy promoting the sale of Canadian products remains one of the most realistic measures against unemployment.

He also added:

The lowering of production costs also seems to be a vital question, when we consider it in the light of exports. Canada is having difficulties getting into foreign markets, because her products are expensive and face very stiff competition. To answer that problem, we would have to sell cheaper, and we can do this only by materially reducing the production costs of our exported raw materials and finished products.

Of course, the cost of production is not the only barrier to the balance of our economy, but it does seem to be the main one, the most difficult one to overcome, because to do so, we must count on the co-operation of most of the people and of the leading labour and employer groups.

Mr. Speaker, there is much talk about unemployment. I have here a copy of the newspaper *La Réforme*, for November 19, 1960, which says:

Unemployment—a family problem and a provincial responsibility.

It is clearly stated in *La Réforme* that unemployment is a provincial and family responsibility.

Let the provincial government, which controls various sectors of the Quebec economy, highways, public works, construction of schools and hospitals, take its responsibilities.

Let it fulfil its promises, let it solve the unemployment problem.

Unemployment—a family problem and a provincial responsibility.

Let the hon. member for Laurier (Mr. Chevrier reread the statement made by his leader, the Hon. René Hamel, minister of labour, on November 23, 1960:

The proportion of unemployed is going down in Quebec.

I also advise him to read an extract from the open letter published in *La Presse* of August 20, 1959, signed by the hon. member for Lapointe (Mr. Brassard), which read as follows:

The fight against unemployment is the concern of the government as well as of the governed, of management as well as of labour, of the public man as well as of the businessman, of industry as well as of banks. In a word, everyone must constructively co-operate in abolishing that social ill, while avoiding demagogy.

By the way, the hon. member for Laurier should carefully listen to this:

What must be avoided is any attempt to promote a political cause or ideal at the expense of those who are victims of a scourge like unemployment. There are too many demagogic politicians whose main ambition is to sell their product or to promote their own advancement by taking advantage of the least social disorder which, in their eyes, becomes only an accident, or a further opportunity in their prearranged pursuit of political aims.

These are formal statements; they are meant for the hon. members for Laurier, for Dollard (Mr. Rouleau), for St. Denis (Mr. Denis), and for St. Jean-Iberville-Napierville (Mr. Dupuis), and for all others of their ilk.

There are too many demagogic politicians whose main ambition is to sell their product or promote their own advancement.

The hon. member for Lapointe protests against the political ambitions of some of his colleagues.

Nevertheless, the hon. member for Laurier has no confidence in the future of this country, under a Conservative government.

An hon. Member: No.

Mr. Pigeon: It is under the Conservative administration, Mr. Speaker—

(Text):

Mr. Deputy Speaker: Order. I must inform hon. members that it is contrary to the rules to interrupt the hon. member who has the floor, either by voice or otherwise.

(Translation):

Mr. Pigeon: The hon. member for Laurier has no confidence in Canada's future.

Yet, it was under a Conservative administration that the hon. member for Laurier became a director of the Provincial Bank of Canada. We find this appointment in *La Presse* of September 15, 1960, where there is a list of the bank's new directors.

In *Le Devoir* of September 22, 1959, we find the following:

The Hon. Mr. Chevrier has been appointed to the board of directors of the North American Fund of Canada Ltd., a mutual investment fund in operation both in Canada and the United States.

An hon. Member: What has that got to do with the budget?

Mr. Pigeon: The hon. member for Laurier is opposed to the construction of a Bomarc base at La Macaza. It is dangerous, he says. Should a war break out, this base would be the first objective of the Russians and it could cause destruction for 100 miles round.

He was trying, in his remarks, to frighten the Canadian people, trying to blackmail them.

As a matter of fact, in criticizing the construction of that Bomarc base, the hon. member for Laurier was playing the game of the communists in this country. On September 10, 1960, the communists organized a march against setting up that Bomarc base at La Macaza.

In short, every means is welcome to reach one's own ends.

Mr. Chevrier: How do you connect this with the communists?

Mr. Pigeon: You play the communists' game, who denounced the Bomarc base. You therefore acted in their interest.

But the hon. member for Laurier does not stop to consider that this project creates many hundreds of jobs for the workers in the province of Quebec.

Mr. Chevrier: How many workers exactly?

Mr. Pigeon: I shall answer the hon. member for Laurier in the words of Mr. Jack Wallace, assistant director of the federal emergency measures organization who stated this in *La Presse* of November 9, 1960:

I disapprove of the defeatism of those who think Canada would be destroyed and its whole population liquidated by the explosion of nuclear bombs.

The hon. member for Laurier, in opposing the Bomarc base, tried to deprive Quebec workers of hundreds of jobs. Curiously enough, however, he was at the same time confident in the future of Canada, in its development and prosperity, because he accepted a directorship in the Provincial Bank of Canada in addition to the directorship he has held since last year in the North American Fund of Canada Ltd.

The Liberals are pessimistic, and the young Liberals are defeatists. They want to merge with the New party because they know they are doomed.

Their leader is not as brilliant as they and the hon. member for Laurier thought at one time.

The mayor of Portage la Prairie, Mr. Henderson, a candidate to the leadership of the Liberal party, made this statement in Winnipeg on January 7, 1956:

The Hon. Lester B. Pearson will be the choice of the convention, but he will not conquer the voters. He does not know the ordinary voter.

Mr. Speaker, I see here a sad thing and in concluding my remarks I wish to quote the following words of the Right Hon. Louis St. Laurent in the newspaper *Le Devoir* of September 4, 1958:

I miss active politics.

Mr. Speaker, do you know of any one member from the province of Quebec, including the new citizen of the province of Quebec, the ex-member for Stormont and present member for Laurier who took Mr. St. Laurent's defence when he was vulgarly excluded? No, they were all mute as a fish.

Mr. St. Laurent misses political activity. I think the young Liberals of this country are right when they think of joining the New party so that some of them at least might sit in the opposition.

(Text):

Mr. Frank Howard (Skeena): Mr. Speaker, it is always refreshing to listen to the Union Nationale member from Joliette-L'Assomption-Montcalm. I can appreciate how frantic he, the Associate Minister of National Defence, the Secretary of State and others must be when they think in terms of what may happen to them in the next election when they will not have—

(Translation):

Mr. Pigeon: Mr. Speaker, on a question of privilege. The hon. member for Skeena said that I have been a member of the Quebec legislature—

Mr. Habel: That is not what he said.

(Text):

Mr. Howard: I am sorry, Mr. Speaker, but I was unable in the hubbub to get the earphone to my ear in sufficient time to hear what the hon. member said. However, I can still appreciate that he and the cabinet ministers whom I mentioned must be looking with a great deal of apprehension to the next election, because they will no longer have the forces of the corrupt Union Nationale

political machine to help them. I will say further that I am not too fussy about accepting the Liberal party and its adherents as such, as I see them in this house, into the New party; they are certainly Liberally minded people. But when it comes to accepting Union Nationale members, I say "never".

This is a somewhat strange budget debate, Mr. Speaker. We see how much reluctance there is on the part of Conservative members to associate themselves with the budget. They want to concern themselves more with engaging in smear tactics against a particular individual who has been in the news lately, and about whom I intend to say no more at this stage.

There was some thought that parliament might recess at the end of this week. It appears, though, that the suggestions or requests—perhaps one should call them demands —made by the Prime Minister earlier this week have pretty well eliminated that possibility. I am sure all hon. members at least from one point of view will not be too upset about that for it will afford them the opportunity to accept the warm and gracious invitation issued by Mr. Arthur Blakely of press gallery fame to attend a gathering this week end.

I was reading some debates of the house in earlier times—1954 was one—when some mention was made of reform of the other place. In that particular debate, in which the present Prime Minister took an active part together with Mr. Drew, the then leader of the Conservative party, reference was made to a period at least back to 1926-27 when Mr. Mackenzie King had made some efforts toward reformation of the other place, and how it was not too long ago that the present Prime Minister was campaigning on the basis of Senate reform.

I would say that this need for reform is no less urgent now than it was when the Prime Minister made those promises before 1957. In fact I think it is even more urgent in view of recent developments which have been taking place in the Senate. Perhaps I may indicate a case in point. I think the disdain and contempt with which Senator Roebuck treats other hon. members of the Senate divorce committee would indicate that some reformation is necessary. If that honourable senator seeks to develop his pet hobby to the point where he establishes himself in effect as a judge of divorce in the other place, that would indicate that we need even more movement in the direction of some reformation there, but not the type of reformation that the Prime Minister has engaged in, which was that followed by his predecessor, of merely filling the Senate with people partial to his own points of view. However, Mr. Speaker, I intend to go no further into that matter. I saw that you were becoming a little active in your seat, and I took that as an indication that perhaps I had gone just about far enough along that line.

I should like to make reference, in so far as this budget is concerned, to a previous budget introduced by the Minister of Finance in 1959, and read just two short sentences from that budget speech as contained on page 2408 of *Hansard* of April 9 of that year. When dealing with one phase of economic matters in this country the Minister of Finance had this to say:

> Advancing technology might have been expected to reduce the cost and selling price of many products to consumers. It is evident, however, that developments in corporation pricing policies, in labour organization and even in our political democracy are producing increased rigidities which inhibit the free play of competitive forces and thereby promote inflation and price increases.

Two years ago the Minister of Finance, if we are to believe what he said in those statements—and there is some doubt that we should believe everything the minister says—had knowledge of the fact that, as he put it, there are increasing rigidities in the pricing policies of corporations which tend to depress what he called "the free play of competitive forces and thereby promote inflation and price increases".

I think it is commendable that the minister should have understood the force which is brought into play upon our economy by corporate price fixers and by what is perhaps loosely referred to as a system of administered prices, or in other words activities which are criminal in their operation and contrary to the statutes of this nation. Even more surprising, though, than the budget we have before us is the fact that the Minister of Finance two years ago recognized these factors and did nothing about them or was denied the opportunity to do anything about them by other members of the cabinet who would like to see other situations develop. However, I believe the Minister of Finance is a strong enough individual to get his point of view across on a number of occasions, and I am inclined to think that even though he recognized this two years ago, he really did not believe that his government wanted to do anything about it because it was contrary to the philosophy and intent of the Conservative party.

Mr. Speaker, I wonder whether at this stage I might call it one o'clock.

At one o'clock the house took recess.

AFTER RECESS

The house resumed at 2.30 p.m.

Mr. Howard: I do not know whether it is a portent of things to come but I notice there is an equal number of Liberals and C.C.F. members in the house at the same time, or there was a moment ago.

There is a large contingent of members in the house who are advocates of what is known as the free enterprise system. I think it is unfortunate that the prescience of the Minister of Finance in 1959 in calling attention to the effects upon the economy of rigidity in price structures and price fixing was not carried forward in this particular budget, because the danger has not diminished during the passage of the last two years. In fact, it has increased as I shall show in a moment. There is a tendency on the part of the advocates of the so-called free enterprise system to equate free enterprise with lower prices, a better quality of goods and materials, more durable goods and the like. However, I think a much better case could be made for saying that the predominant relationship is of an altogether different kind. In other words, we can equate it with price fixing, with restrictions on production, with the carving up of markets for certain products and the like. Let me give hon. members a brief account of the record here in Canada during the past 11 years since 1950. This information was tabled in the house last year but I am afraid I do not have the reference to the specific sessional paper. It showed that the following industries and corporations in those industries have been found guilty of conspiracies and illegal actions under the Combines Investigation Act and the Criminal Code. I find they include the glass industry, bread, baking, matches, rubberwear, tires, rubber footwear and all kinds of rubber goods; papers, both fine and coarse; electrical materials, wire and cable; farm fencing and other types of fencing; bedding, quilts, coal, roofing materials, pulpwood, culverts and transmission and conveyor belts. Companies in all these fields have been found guilty of illicit practices under the Combines Investigation Act and have been fined in the courts for engaging in price fixing.

It was not more than a couple of weeks ago in the United States, for instance, that attorney general Kennedy issued a statement to the effect that preliminary investigations there had indicated that in practically every major industrial field in the United States companies were engaged in the practice of fixing prices and increasing them by agreement without regard to the cost of production of those commodities. Here in Canada I think this government has proven by the failure of the Minister of Finance to give concrete expression to those two sentences he mentioned in the 1959 budget that it is not really concerned with the welfare of consumers in this country, not really concerned with protecting them against encroachments upon their rights by corporate monopolies and oligopolies. This view is, I suggest, borne out also by this government's action in ramming a particularly obnoxious bill through the house amending the Combines Investigation Act in such a way as to make it easier for corporations to engage in these illicit practices and easier for them to escape detection. The sanctions and authorizations given, in effect, by last year's amendments to the Combines Investigation Act will illustrate this contention more clearly as time goes on.

On the general question of the operations undertaken under the Combines Investigation Act I should like to say it is extremely unfortunate that an investigation into the production and distribution and sale of raw fish in British Columbia has been postponed and delayed by a series of legal manoeuvres and skirmishes in the courts to prevent the restrictive trade practices commission from hearing the charges made by the director of investigation and research and coming to a determination with regard to them. That situation has existed because parliament has agreed to continue to extend the moratorium in respect to the activities of the fishing industry. That industry on the west coast is faced with continuation of a restrictive agreement regarding the number of boats which may engage in the herring production and fishing industry. I mention the herring fishery because of the restriction that exists in regard to it. The longer this continues the more difficult in an economic sense this will be for the fishing industry on the west coast.

We too often tend to think that competition brings benefits to the citizens of this nation through so-called free enterprise. We think of this free enterprise competition in relation to a number of different fields and often feel that it applies to different industries in a like manner. I suggest we have a number of different types of competition some of which may be beneficial but others which may be detrimental.

There exists competition in the field of prices to consumers and, I submit in this regard, there is very little which takes place in relation to major industries. There is perhaps a good deal more among smaller businesses because there does not exist there the same control in respect to competition and quality of goods.

In terms of competition we can think of advertising in regard to the quality of the commodity which takes place in an attempt to make the products more attractive to the consumer. I submit that is all that is taking place in the way of competition. In Canada over the past number of years the original concept of competition which involved the price and quality of products has been misdirected and now relates almost exclusively to the field of advertising. I suggest that competition in the field of advertising does not in a general way result in benefits to consumers. We are all being inundated with advertisements appearing in newspapers, heard over the radio and seen on television, for example in regard to the various beneficial aspects of different types of toothpastes. I suggest that there is very little difference between the different brands except differences such as one being red, one being striped, one containing a special mint flavour and so on. Such toothpastes include a bit of glycerine, but in essence they are all the same. However, there is a great deal of competition regarding this particular product in the field of advertising which results not in any saving or increased quality to the consumer, but an increased cost. This same situation applies in respect to various other commodities. An individual may have a preference for a certain brand of cigarettes but, after all, cigarettes all contain tobacco and very likely have the same deleterious effect, if any.

An example of this type of so-called competition with lack of resultant benefits to the consumer was reflected by a report tabled in the house by the Minister of Justice (Mr. Fulton). I might say that the tabling of this particular document was in direct contravention of an order of this house, but that did not seem to bother the minister at that time. That report indicated that so-called competition in industry had the direct result of increasing prices rather than decreasing them. I suggest when we find 25 per cent of the activity of the average drug company taking place in the field of advertising, which involves the inundation of doctors and others with gimmicks of all types, we also find this competition increases costs.

As I said earlier, smaller companies do not have the same control in regard to quality or price of products the larger corporations do, nor have they the control over the primary products involved. As an example of this suggestion, one might consider the local service station, which is a relatively small operation with no control over the primary product, because that control remains with the oil companies. I suggest this same situation applies to all small industries and operators who are helpless against the large corporate structures. They are not being helped by this government at all in this regard.

In recent years there have been many comments heard in regard to a recession and a collapsing economy. In recent times this government has begun to think in terms in line with these comments and, after four years in office, it has decided to curtail this and that, in an attempt to correct the situation. I do not understand how this is going to help our economy, particularly in light of the extremely high degree of unemployment that has continually affected this country since this government took office. The Associate Minister of National Defence (Mr. Sevigny) suggested that this problem was a chronic one.

I suggest that in light of the unemployment picture and the economic position as it exists today we should consider how the corporate elements of this nation, which control our national resources, have fared during this period when so many people have attended bread lines and walked the streets day and night looking for work.

On page 32 of the *Financial Post* of May 13, 1961, there appeared an analysis of the economic conditions of a selected 313 companies, showing the changes which have taken place over the years, and particularly those changes which have taken place between 1959 and 1960; that period of time when the level of employment in this country was at its lowest. This is a statistical table of averages and accordingly individual companies may not fit into the picture presented here. However, we find the net value of the oil industry during this period of high unemployment, poverty and misery among the consumers increased by 3.8 per cent. We find the value of the metal industry increased by 6.8 per cent; the iron and steel industry by 2.8 per cent; the pulp and paper industry by 8.6 per cent; transportation by 1 per cent, merchandising by 8.2 per cent; the textile industry by 1.6 per cent—we heard a good deal about the difficulties of the textile industry today—the milling and grain industry by 4.1 per cent; construction by 3.4 per cent, and public utilities by 5.2 per cent. We also find that the food industry, representing a basic requirement of everyone in this country, increased in value by 15.5 per cent; the beverages industry by 6.1 per cent, miscellaneous by 4 per cent, and the lumbering industry by 4.1 per cent, with a total average increase in respect to 313 companies involving all our basic resources of 4.7 per cent.

All this took place at a time when, as I said, unemployment was rampant throughout the nation and when people were practically starving to death and getting rid of their furniture and other household goods and equipment which had been bought on a credit basis. In the face of this the Associate Minister of National Defence has the unmitigated gall to say that it is impolite to talk about unemployment; that it does not do a service to the country to talk about it. I can appreciate that he and his government, having the attachment that they have to certain vested interests in this nation, would not like to have unemployment discussed. They would like to see the working class continue to be subjected to this sort of illicit piracy which exists among corporations generally in this nation.

If the Minister of Finance two years ago had the foresight to say that the rigidities of the price system permitted inflation and higher prices and then did nothing about it, it is another indication why we have less and less reason to believe his statements and certainly not the forecasts and prognostications of the minister or of anybody else in the government of the day.

A number of phrases have been used and a number of words have been groped for to describe this particular budget. The Minister of Finance called it an economic budget, whatever that may mean. It is certainly a "deeper in debt" type of budget. One interesting development arising out of it I should like to mention is that a few years ago a bond conversion program was entered into by this government after a massive sales pitch by the Prime Minister and the Minister of Finance, which had the direct effect of increasing interest rates. It was also supposed to regularize the debt picture of the country so that it would be easier to cope with it as the years went by. We are now in almost the same situation we were a couple of years ago out of which this bond conversion program was supposed to take us. In the 1961-62 fiscal year this government is going to have to find by borrowing one way or another $2,610 million. This amount is more than 40 per cent of the expenditures of this government for this particular year. This is an indication of what is happening with the government we have in office. Its sole concern is the paying off of election commitments made to those who financed the party to office. Coupled with the concern to continue in office is the intoxicated feeling that it received by virtue of the fact that it has power. That is its sole concern; in addition, stay in office regardless of the circumstances and how they affect anybody else, including the people of this country.

The first impression I had with respect to classifying the budget by name when I listened to the Minister of Finance that glorious evening last week when he took so long to say so little was a word connected with his baby budget of last fall. I think we can properly classify this budget as a miscarriage.

Hon. D. J. Walker (Minister of Public Works): I have been trying to decide what all the sound and fury are about, Mr. Speaker, with respect to this budget. I have heard the opposition speakers and I have taken home their speeches to read at night, but I cannot find that any useful point has been raised in criticism of the budget of the Minister of Finance. If you will read it at home, Mr. Speaker, as I have read it—I know it was a long speech but it was a fascinating one; it cannot be digested all at one sitting—you will find that the answers are all there. It was a masterful exemplary presentation that we had the other night. For instance, everybody admits—the Leader of the Opposition and his party admitted it—that there should be an expansionist budget. The C.C.F. group admit that there should be an expansionist budget and there is. It is designed to increase the gross national product of Canada. This is the primary object of it and it comes at a time when it is very necessary to do that. It is designed to increase employment by hundreds of thousands and the minister has explained how this will come about. It is designed to lower interest rates, for which, of course, we need the co-operation of the Bank of Canada. Primarily, it is designed to lower the value of the Canadian dollar so that we can get our share of the export market.

Of necessity it is a deficit budget. Under these circumstances, when the government has these matters in mind, there is no other way of having a budget. The only other alternative is to increase taxes and to do so at this time would be to do harm to business by taking away capital which could be used in the plans of Canada for great expansion.

It is interesting to note that since this government came into power 80 per cent of all the tax-paying public, the people paying income tax, are paying less income tax than they did when we took over from the Liberals. May I also say that the Liberals advocated this. There is no criticism of us for having a deficit budget. There has been no criticism from the Leader of the Opposition. The other night in his press conference, when he was pressed by those able newspapermen who did not get anywhere with the Minister of Finance the night before, the Leader of the Opposition agreed that the government was right at this time to have a deficit budget.

Therefore, as far as policy and principle are concerned, we seem to be ad idem with the official opposition.

I make this statement. There would be no deficit even this year in our expansionist budget if we had not increased the social benefits to Canadians, the social justice payments, and if we had not increased the federal-provincial grants.

It is said that there will be a prospective deficit of $650 million. Well, the two items I have just mentioned make up $1 billion. When we took office the federal-provincial payments for 1956-57 were $689 million. In this current year they will amount to $1,470 million. When we took office old age pensions amounted to $379 million. In this current year they will be $607 million. In other words, in these two items alone there is a difference in excess of a billion dollars. If we had kept the even tenor of the Liberals' ways over the 22-year period and denied Canadians the social justice payments to which they were entitled and denied the provinces the payments to which they were entitled, instead of having a deficit of $650 million, we would be budgeting for a surplus of $350 million this year. Is there anybody who would want to take away hospital insurance which amounts to $274 million?

The other matter on which we have been criticized a great deal is the delay in the budget. Well I am not blaming any particular group or any particular member in the house but it is a fact that only recently were we able to get through the baby budget. We have in this session of parliament been delayed interminably. This is not a personal attack on anyone, but let us all examine ourselves and what we have done.

The longest session in the history of the House of Commons was in 1903, when the session lasted for 155 days. I believe that this is the 144th day of this session and the end is not in sight. May I just cite some examples? I had a statistician check some figures to ascertain certain things. Up to June 21 of this year the total number of pages of *Hansard*, Mr. Speaker, from November 18 to June 21 amounted to 6855. Let us take a member of parliament and ascertain what his contribution was. Let us take the last speaker, the hon. member for Skeena (Mr. Howard). The estimated number of pages that the hon. member for Skeena filled in *Hansard* amounted to 125. The percentage of the hon. member's contribution to the total contribution of parliament in the way of words was 1.8 per cent, nearly 2 per cent. The number of days in the session up to June 21, my latest figure, was 138. The number of days consumed by the hon. member for Skeena if he had started talking before the orders of the day when the house convened at 11 o'clock in the morning and continued through until 10.30 at night, would have been 2½ days.

The daily cost of operating the House of Commons, on the basis of an estimate appearing in *Hansard* of August 8, 1960, page 7757, is $20,000. The total cost, therefore, of having the benefit of the wisdom, advice, understanding, sympathy and kindness of the hon. member for Skeena would be $50,000. This is the cost to the taxpayers of having the hon. member for Skeena in parliament. This cost, of course, does not include the $10,000 which the hon. member receives annually. There are 265 members. If each member spoke at the same length as the hon. member for Skeena, the session would last 662 days per annum.

Mr. Leduc: What about the Minister of Finance? What is he costing this country?

Mr. Walker: I will come to that, and I will come to you, too.

As I have said, this would mean 662 days per session, that is full days up to 10.30 at night. Even on the basis of six days a week, this would be equivalent to approximately 110 weeks a year, if all hon. members spoke as long as this very modest member for Skeena. The aggregate estimated cost to Canada of such a session would be $13,340,000. If the average member of the house consumed as much time as the hon. member for Skeena, the session each year would last for more than two years. I understand there are approximately 1,000 words on a page of *Hansard*. The number of words contributed by the hon. member for Skeena so far this session—this does not include the time he was excluded from the house—amount to 125,000 at a cost of 40 cents per word. In other words the hon. member for Skeena, and it is his right to do it and in his wisdom he has done it, talks five times as much as the average member of parliament, as one can see from the number of pages of *Hansard* consumed.

Now, this results in delaying tactics. I suggest, with the greatest respect, that in some instances the delay is deliberate, and for no other purpose except to delay. I am not ascribing this to any member, I am not naming anyone. I have just been using an example for the purpose of illustration. I have been noting how some contributions by some members are constructive, and some contributions are not. In addition to this the hon. member for Skeena—we have to take some example and there is nothing personal about this—who insists on talking five times as long as the

average member, also insists that the average member should not have any extension of his time at six o'clock when we ask for five minutes or ten minutes to complete some item of business. The rules of the house enable the hon. member to call it six o'clock. As I say, these calculations do not include the time during which he was excluded.

Let us take another example. I am just picking these out of the hat. I refer now to the hon. member for Bonavista-Twillingate (Mr. Pickersgill). Up to June 26, there were 7,103 pages in *Hansard*. The number of pages which the hon. member for Bonavista-Twillingate had filled amount to 276, so the percentage of the total number of pages of *Hansard* attributable to the hon. member for Bonavista-Twillingate was 3.8 per cent. The number of days which the hon. member for Bonavista-Twillingate would have filled if he had started talking at 11 o'clock in the morning and continued through until 10.30 at night is 5.3. He would be talking for a solid week without stopping. Now, the daily cost of keeping the house in session, as we know, is $20,000. The hon. member for Bonavista-Twillingate made a contribution to parliament, therefore, which cost the Canadian taxpayer $106,000. This is the cost of keeping this precious flower in parliament. In addition, of course, he gets a nominal consideration of $10,000.

Now, if the average member of parliament spoke at the same length as the hon. member for Bonavista-Twillingate, every session of parliament would occupy four years. It must be obvious that the hon. member speaks twice as long as the hon. member for Skeena and about ten times as long as the average member of parliament. If he assessed his value to the house at twice as much as that of us ordinary mortals, I could understand it. Perhaps the hon. member for Bonavista-Twillingate considers himself and his contribution to be three times as valuable as the rest of us, or four or five times as valuable.

However, Mr. Speaker, I ask you with great humility—and at the moment my heart is full of humility—has any member, no matter how brilliant he may be and no matter where he comes from, no matter what regime he is representing in that pocket borough, particularly when he sits in opposition and has nothing to do with the business of the country except criticize it, the right to talk ten times as much as the average member? Now, you can give your own answer to that question. I am not going to suggest he has not because I know that he is highly esteemed in certain circles—particularly self-esteemed. I have heard from him about his greatness and his ability so often that I am sometimes convinced he perhaps has a right to talk longer than ordinary members. But not ten times longer.

This is my contribution to this budget debate. It is a pleasant one, a happy one and ends on a happy note. However, it might explain to the members of the house, Mr. Speaker, why we are here going through these dreary days and evenings; why as July 1 approaches we are here when we had contemplated that we were going to get home to our families and plan those things which since November last we have been prevented from doing; and why we are now promised with breaking all records and being in session longer than any other parliament. I say to you that "the fault, dear Brutus, is not in our stars but in ourselves". That is where it lies. This speech is not political; it is factual. I obtained those figures from a statistician.

Mr. Gabriel Roberge (Megantic): Mr. Speaker, I have listened with as much care as possible to what the Minister of Public Works (Mr. Walker) has just said. I am greatly surprised that a minister of the crown has taken about 25 minutes in participating in a budget debate and that, of those 25 minutes, he has used 15 minutes in criticizing other hon. members of this house, particularly the hon. member for Skeena (Mr. Howard) and the hon. member for Bonavista-Twillingate (Mr. Pickersgill). Even though he has statisticians to work for him, I would have thought that a minister of the crown would work on the statistics dealing with the economy of the country. I think the minister should also have told us that since 1960 we have been here in this house in this parliament for at least 15 out of a total of 18 months; and if the business of this nation during those 18 months was not carried out in less than 15 months it is on account of the mismanagement of the business of this house. He should have told us also that with respect to some measures on which everybody agreed those on this side of the house could have had many speakers. I have reference especially to the resolution with regard to increasing the pensions of veterans, and on which everyone was in agreement. The government had 48 speakers.

(Translation):

Mr. Speaker, there are several conflicting theories on Canada's economy. There is the theory of cyclical budgeting, the theory of deficit budgeting and finally the theory of surplus budgeting.

It seems that the longer the speeches made by the present Minister of Finance, the

heavier the deficits. Apparently, it was necessary for the government to drown its incompetence and mismanagement in the flood of words spoken by the Minister of Finance on June 20 last.

Since 1957, when the present government was elected to office—that was four years ago—we have heard six budget speeches, though the Minister of Finance refers to his December 1957 budget as being only financial proposals.

Since 1958, or over a period of 3¼ years, five budget speeches were made by the Minister of Finance. Four of those budgets predicted deficits; only one forecast a surplus, that of March 31, 1960.

The December 1960 budget was labelled the baby budget. I am inclined to believe that the baby budget was rather that of March 31, 1960, but that the real budget, that was concealed at the time, was the budget brought down on December 20, 1960.

The $12 million surplus that the minister expected in March 1960 had turned into a $345 million deficit by December 1960. This represents a difference of $357 million, or a million a day, as pointed out by the hon. member for Trinity (Mr. Hellyer).

Mr. Speaker, if we look at what the present government has cost us since it accepted the responsibility of office, we find that there is a tremendous difference between what the Canadian taxpayers have to pay and what we have been told by various members in this house.

In 1957-58, a $38.5 million deficit; in 1958-59, a $609.5 million deficit; in 1959-60, a $413 million deficit; in 1960-61, a $345 million deficit. And with the $650 million deficit expected for the current year by the Minister of Finance, we have a grand total of $2,056 million.

Mr. Tremblay: Keep in mind Mr. Lesage's policy.

Mr. Roberge: Mr. Speaker, in this house I deal only with federal policy and not with provincial policy, with all due deference to my hon. friend for Roberval.

If we add to the last figure I mentioned the depletion of the unemployment insurance fund in the amount of $900 million, and of the national defence special fund which reached $165 million, we get a total of $3,121 million.

[Mr. Roberge.]

In the budget he presented on June 20, the Minister of Finance told us that each and every one of his budgets were aimed at solving current problems. In fact, here is what he said as reported on page 6639 of *Hansard*:

> The circumstances attending each budget have differed from those associated with the others. Each was aimed to meet the financial and fiscal problems of its time. Tonight's budget is designed to meet Canada's present needs and difficulties.

Everyone will recall the electoral campaigns of 1957 and 1958. Everybody also will recall the promises made by the Prime Minister of Canada and his supporters, especially concerning unemployment.

One of the main problems facing this government ever since it took over is no doubt unemployment. During his electoral campaign, the Prime Minister spoke about it quite often. In fact, he spoke about it in this very city of Ottawa on February 1, 1958. He spoke about it in Prince Albert, on February 14, 1958. He spoke about it also in Brantford, on February 17, 1958. And on February 18, he spoke about it again in a national television broadcast when he said, as reported in the Montreal *Star* of February 19, 1958:

(Text):

> As long as I am Prime Minister of Canada everything that can be done—everything without regard to limit—will be done to the end that no one will suffer.

(Translation):

We all remember this solemn pledge of the Prime Minister:—

Mr. Tremblay: Add to that the deficits piled up by Jean Lesage.

Mr. Roberge: Mr. Speaker, I thought that since the relocation of the hon. member for Roberval (Mr. Tremblay), we would be rid of his interjections.

Mr. Tremblay: What about Mr. Lesage?

Mr. Roberge: Mr. Speaker, what was the unemployment situation in Canada when the latest statistics were issued by the dominion bureau of statistics or published in the statistical report on the administration of the Unemployment Insurance Act?

On May 20, and I am quoting the figures from the statistical report of the dominion bureau of statistics for May 1960, there were in Canada 439,000 people unemployed and in search of employment; this does not include workers on temporary lay-off, because then the figure would be higher; in fact, it would be 457,000.

On April 22 of this year, the number of unemployed people in search of jobs reached a total of 590,000. On March 18, the figure was 664,000.

Now, taking the figures provided by the unemployment insurance commission, in March 1961 a total of 807,000 people were receiving benefits. In April 1961, there were 708,000 people receiving benefits. If the people receiving benefits are not unemployed, I wonder what they are.

There is therefore one sure fact, namely that the most impressive figure is the last one I quoted, the one provided by the unemployment insurance commission. However, for my present purpose, I shall use only the figures found in the statistical review of Canada, which repeats the monthly manpower statistics of the dominion bureau of statistics.

If there was unemployment in 1958, there still is today. If there was unemployment before 1958, and there was, it is even worse today.

Allow me to give certain percentages contained in this publication with regard to the rate of unemployment before the Conservatives took office. In 1946, 3.4 per cent of the labour force were unemployed; in 1947, 2.2 per cent; in 1948, 2.3 per cent; in 1949, 2.8 per cent; in 1950, 3.6; in 1951, 2.4; in 1952, 2.9; in 1953, 3.0; in 1954, 4.6; in 1955 4.4; in 1956, 3.4 and in 1957, 4.6.

Let us now see how those figures went up in the following years. In 1958, 7.1 per cent; in 1959, 6 per cent; in 1960, 7 per cent, and in the first five months of 1961, 9 per cent, 9.98 per cent.

Mr. Tremblay: Let us have the figures for the province of Quebec.

Mr. Roberge: Mr. Speaker, if the budgetary measures advocated by the Minister of Finance are designed, according to him, to solve current problems, and if we consider that previous budgets have not solved this problem, I wonder how the present budget will provide an answer to the unemployment problem this year and in the future.

The Minister of Finance presented his first budget on June 17, 1958. What had been the situation for the last year, at that time?

According to the January 1959 issue of the *Canadian Statistical Review,* there were 164,000 unemployed in Canada when the present government came into power on June 21, 1957. Everyone knows that under the normal trend, unemployment in Canada reaches its lowest level in September, and its highest point in March. Now, we know that in June 1957, when unemployment was at its lowest level for that year, there were 164,000 unemployed in the country; there were 166,000 in July; 176,000 in August; 197,000 in September; 211,000 in October; 296,000 in November; 392,000 in December; 527,000 in January 1958; 563,000 in February and 597,000 in March. The number of unemployed went down after that. In April, it was 522,000; in May, 370,000; in June, 324,000. It is at that time that the Minister of Finance made his first budget speech, that is on June 17, 1958.

What kind of economic recovery did we have? The employment situation continued to improve until September, which was the best month of that year. In July, there were 291,000 unemployed; in August, 281,000; in September, 271,000; the figures went up again in October: 313,000; in November, 361,000; in December, 440,000; in January 1959, 538,000, that is the highest figure for the winter of 1958-59.

The second budget was introduced on April 9, 1959. I am still quoting figures from the Canadian statistical review and from the dominion bureau of statistics.

February, 537,000; March, 525,000; April, 445,000; May, 334,000; June, 234,000; July, 228,000.

According to the Minister of Finance, the budget introduced on April 9, 1959 aimed at bringing solutions to the problems of the time. One of those problems which we had often brought to the government's attention during the session was unemployment. Well, contrary to the normal tendency of employment in Canada, in July, the number of unemployed increased to 228,000; in August, the number was 239,000; in September it was down to 213,000; in October it was up again to 237,000; in November to 296,000, while in December it had reached 370,000.

In January 1960, there were 504,000 unemployed; in February, 555,000 and in March, 566,000 while the number levelled at 517,000 in April.

On March 31, 1960, we had our third budget. Let us see what the budget did that year to settle unemployment.

In May, we had 399,000 unemployed and 300,000 in June; in July, when unemployment is usually lower than in September, the unemployment figure went up again in August, 1959, and in August 1960, the situation was even worse since there was an increase over the figure for June which was 300,000 unemployed and that for July, 311,000 unemployed. This increase continued in August and reached 322,000 while another reduction was registered in September with 305,000. In October,

the number went up again to 347,000; in November, it reached 401,000 and in December, 489,000. In January 1961 the figure went up to 630,000 and in February and March, it set the new record high of 664,000.

As I said, Mr. Speaker, I do not want to include in those figures the unemployed who were laid off on a temporary basis.

The fourth budget introduced on December 20, 1960 was also supposed to solve the problems, according to the Minister of Finance. Furthermore, this budget we are now discussing is also supposed to clear up difficulties. Judging from the figures I just gave and from past experience, I am afraid that, in fact, our unemployed will not be able to find jobs during the coming season. But our friends opposite will say we are prophets of gloom. Nothing could be more inaccurate. We have had, especially during the last session, an exceedingly long debate on the problem of unemployment. We have made innumerable proposals to this government but, at that time, the Minister of Labour replied that the proposed solutions did not make any sense. There is particularly—and those who want to read it can do so—that summary given by the hon. member for Laurier on the occasion of that debate in which he made at least 25 suggestions to solve the unemployment problem.

It is the crucial problem of our times. I do not think that the budget introduced by the minister on June 20, will make it possible to improve the situation, although, Mr. Speaker, I do hope that every Canadian will find a job.

(Text):

I think this government has mismanaged the affairs of our country. I also think the Minister of Finance has miscalculated the effects of his successive financial proposals. It is my belief that the electoral promises made by the Prime Minister and his supporters in 1957 and 1958 were misconceived. This government, in other words, is a complete mess. But the Canadian people now know what to do and they will not miss their chance when the next time comes.

Mrs. Margaret Macdonald (Kings): On rising for the first time to speak in this house I cannot but recall and repeat the words uttered by my late husband in his maiden speech in the twenty third parliament:

I enter on my duties here with a deep sense of humility, with the highest respect for this house and an earnest desire to do the best possible job as the representative of my constituency of Kings of the province of Prince Edward Island, and of this great country of Canada.

It is also for me an honour and a challenge to be selected by my constituents to follow in the footsteps not only of my husband but also of his father who for many years represented Kings county in this chamber and the province of Prince Edward Island in the parliament of Canada. It is my desire and my intention to follow, as best I can, the course which they set.

I have mentioned, Mr. Speaker, my feelings of humility but I must also say that I am filled too with sentiments of deep gratitude, first, to the loyal friends of my husband and myself who so faithfully supported me in the difficulties and trials of recent months, and then to those members of the House of Commons who have greeted me so warmly and kindly as I take up my duties as a new member of parliament.

It is the custom for new members to refer in detail to their constituencies in their maiden speeches. It would indeed be easy for me to describe the beauties of Kings county, but because I am aware that this has been done often and well in this house I shall not at this time follow the familiar practice. I should like to say a few words, however, about some matters of particular significance to the economic life of my constituency and province.

Although I have long been interested in the development of Prince Edward Island I have watched with particular interest the events that followed the change of government in 1957 when my husband and three of his colleagues came to Ottawa as supporters of our distinguished Prime Minister (Mr. Diefenbaker). Prince Edward Island—the smallest province in the dominion and the one with the narrowest base for provincial revenue—is extremely dependent on financial relations with the dominion government to provide the necessary level of services for our people. In these times when all governmental costs are rising a new attitude was required. It was, I think an awareness of this need which made such a great difference in Prince Edward Island and the maritimes generally after June, 1957. Our people were much impressed with the Atlantic provinces adjustment grant of which Prince Edward Island received $2,500,000 annually. This was by far the largest single grant ever received from Ottawa. Under the new dominion-provincial agreements the amount will be substantially larger and the benefits to the citizens of Prince Edward Island will be great.

In our province, where the basic industries are agriculture, fisheries and the tourist trade, transportation is tremendously important. The roads to resources program initiated by the

dominion government has given Prince Edward Island the greatest road building program in its history. It will account for 158 miles of pavement in my constituency of Kings county.

The roads to resources program and the camp site and picnic program, which is also a joint dominion-provincial program, have greatly benefited Kings county which until recently was much neglected as a tourist area. We look forward to an increased development of the tourist trade in our province. In this connection I cannot refrain from a word about the causeway, a subject of such great interest to my husband and his colleagues. I am in full agreement with what the hon. member for Queens (Mr. Macquarrie) said the other day and I join with my three colleagues in urging the minister to do everything possible to press forward this tremendous undertaking.

More and more tourists will be coming to Prince Edward Island. Statistics covering the last ten years reveal a sharp annual increase. The existence of new and improved facilities in the province and more and better roads will contribute to the greater importance of the tourist industry. Better markets for the excellent island products require better transportation facilities and it is my hope that this government, which has already done so much for our province, will provide for us the most up-to-date transportation facilities we have yet had.

Members of parliament are always interested in public works projects within their own constituencies. I recently travelled throughout Kings county to see at first hand some of the required projects which could be of assistance to our economy and especially to the fishing industry. In the last four years an impressive number of wharves, breakwaters and warehouses have been built which have resulted in great improvement.

Kings county is one of the important fishing areas in Canada and from time to time I shall urge upon the Minister of Public Works (Mr. Walker) improvements and extensions of facilities to provide greater accommodation and security to our fishermen. Thank you, Mr. Speaker.

Mr. D. M. Fisher (Port Arthur): Mr. Speaker, I congratulate the hon. lady on her maiden speech and suggest that she paid perhaps too much heed to the argument which has been put forward in this house very recently by the Minister of Public Works (Mr. Walker) who, I am sure, is trying to make all members of the house conscious of how much they are costing the taxpayer when they open their mouths.

There is very little I wish to say about the budget at this time because the budget speech presents an opportunity to members to speak on almost any topic within the purview of House of Commons business. The subject I wish to address most of my time to today is the Canadian Broadcasting Corporation and the report which was tabled today by the special committee on broadcasting.

Before I do so I should like to say, in relation to the budget, that one aspect of it has found a great deal of favour in the area that I represent. People involved in the pulp and paper industry are very pleased with the indication that the devaluation of the dollar will improve their position in terms of trade with the United States. However, I should like to underline a criticism that has been made in regard to this step in that direction. We are left with a very indefinite idea as to how this devaluation procedure is going to take place. If the devaluation which we have already had is merely a psychological drop and there is not going to be certain control and direction on the part of the government to maintain this difference between the Canadian and the United States dollar at some definite figure, we are going to be in a most difficult situation with respect to our basic industries.

It is very hard to know what is the right figure for the Canadian dollar, but the pulp and paper industry is the bellwether industry in Canada at the present time, especially in terms of export sales. When the Canadian dollar is below the United States dollar, there is a bit of pump priming in that industry both on its capital side and job creation side. I have no doubt at all that if the dollar is devalued below the United States dollar to the tune of five cents or six cents it will lead to the extension of pulp and paper plants and perhaps also the creation of completely new pulp and paper operations in northwestern Ontario.

However, we have not that kind of indication from the minister, and the value of the Canadian dollar vis-à-vis the United States dollar is a complete mystery at the present time. This situation seems to be too tentative and indefinite for the purposes of the basic economy in our regions. I suggest we must know just what the dollar is going to be pegged at. If this is not done I suggest we will have a further period of haze and doubt in the pulp and paper industry.

Perhaps it is almost blasphemous to refer to one of the kudos which was handed to the Minister of Finance (Mr. Fleming) during this debate, but yesterday the hon. member for Stormont (Mr. Campbell) made reference to something in an attempt to equate or draw analogies between our Saviour and the Minister of Finance. When one reaches a situation

of such hyperbole as this, it behooves one to go very, very slowly. I keep looking over there, and have for some time, but am unable to see a halo. Somehow it does not seem to have manifested itself. It seems to me, however, that the hon. member for Stormont in going to such lengths to indicate what a marvellous minister of finance we have should have taken a lesson or two from the sermon on the mount himself and not been so harsh and severe in referring to the head of the Bank of Canada. After all, I am sure that an individual so close to someone who might deliver something similar to the sermon on the mount would not turn around and send the head of the Bank of Canada to jail. It seems to me that he is blind to all the advantages of having such a religious and halotype figure close to him.

Mr. Campbell (Stormont): May I ask the hon. member a question?

Mr. Fisher: Yes.

Mr. Campbell (Stormont): Does the hon. member not think that every one of us, including the Minister of Finance, should emulate that Teacher who gave us the sermon on the mount, and that anyone who believes in Him should endeavour to reduce arrogance when it reaches such unseemly proportions?

Mr. Fisher: I quite agree with the hon. member but he seemed more like Pontius Pilate yesterday, and he was a pretty tough specimen.

Mr. Fleming (Eglinton): I hope you will excuse me from this theological discussion.

Mr. Fisher: The hon. minister says he would like to be excused. I am not suggesting because I cannot see a halo that he is sprouting horns.

Today we had laid before this house the final report of the special committee on broadcasting. I should like to say immediately that I think it is a very unfair report which continues something that was very much in evidence two years ago when the committee met, and represents a very definite attempt on the part of certain members of that committee to do away with the Canadian Broadcasting Corporation. I am not critical of their views, but of the method they used in developing those views. It seemed to me those members were more than suspicious of the Canadian Broadcasting Corporation, more than suspicious of the efficiency of that corporation, and more than suspicious about the way it carries out its programming. I believe they want to destroy the C.B.C. as a public corporation. I believe they would be happy to see the C.B.C. sold or disposed of through some method. I believe they would like to see the C.B.C. completely detached from either programming or distribution, in other words, wiped out. Because this particular attitude of their does not have general support, they proceed on a course of niggling, nose punching, hammering and continually downgrading the organization as such. I should like to return to the report to indicate why I think this is so.

Does the hon. member wish to ask a question?

Mr. Lambert: Will the hon. member permit a question? He made a flat-footed statement about the attitude of members on the government side with respect to the Canadian Broadcasting Corporation and, as he says, of their desire to sell the corporation. Will he give us concrete proof of that?

Mr. Fisher: Mr. Speaker,—

Mr. Lambert: Otherwise he will be running away—

Mr. Fisher: I am not running away. I am not saying that government members as a whole want to do this, but there are certain government members whose attitude toward the C.B.C. is completely destructive. I am saying that this report, like the report of two years ago, is a victory for this group. I am not saying they are a majority within the government party, but they are strong enough to get recommendations through that, I will argue, have no relation to the evidence that we heard and the investigation that was carried out this summer.

I should like to turn to one example which I think is the most serious of all, and it relates to recommendation No. 3, which reads:

> That the number of directors of Canadian Broadcasting Corporation be increased from 11 to 15 for the purpose of assuring adequate representation to the French language network.

This is the part I have in mind:

> That the directors be appointed on a rotating basis—

This part is fine, but this is what I want to draw to the attention of the house:

> —and a chairman be named from among their numbers by the governor in council for a period not to exceed five years. Further, that no executive officer or other employee of the corporation be a director of the corporation.

To me, Mr. Speaker, this is nothing more than a downgrading of the president of the C.B.C. to the role of manager. It means the elevation of the chairman of the board, as I conceive it, if this recommendation is carried out, to be the policy spokesman of the C.B.C. And yet it is very well argued—and I know the hon. member for Greenwood is an example—a member whom I respect tremendously—that this will be an improvement

because he can give examples of private corporations where such a situation existed. I believe this can do nothing but harm to the C.B.C. because of the role it plays in relation to the public. Who from now on, if this recommendation is accepted, is going to speak for the C.B.C.? Who is going to be the spokesman? The policy-making board will be detached from the executive officers in any real sense in so far as the operating is concerned; the operating officers will be detached from the board so far as policy is concerned. It seems to me, in a situation like this, you are going to create immense difficulties for the C.B.C. in achieving the kind of flexibility that is required of a public corporation that is always in the public eye and always under public criticism. It seems to me it robs it of the flexibility that it has under the present arrangement. There is one thing about it. The thing that really bothers me most about this recommendation, Mr. Speaker, is that the president of the C.B.C., Mr. Ouimet, a gentleman of whom I have been critical in some aspects of his work, made an excellent presentation before our committee for a period staggered over about three months. He did a magnificent job. I know if I were a French Canadian I would be particularly proud of the way in which this man from a French Canadian background, with a magnificent vocabulary and a great deal of information, marshalled and presented it to our committee. He handled himself splendidly in both languages and you felt that here was a person carrying on a magnificent job. I can only regret that through illness he was not available two years ago, at the time the C.B.C. was previously before our committee. As a result of that fine job he did in providing us with information and putting up with us for a day of examination and cross-examination, what does he get? A punch in the nose. He is going to be downgraded to something in the nature of a manager or general manager, and we are going to have a chairman over him.

It seems to me there is an inconsistency in this recommendation in that it does not indicate whether the appointment of the chairman by the governor in council is to be a part-time or a full-time appointment. We had the Auditor General give evidence before the committee in relation to the C.B.C. Some members of the committee seemed to be very impressed with his evidence in certain sectors. Here was an instance where the Auditor General felt that if we were to have a chairman of the C.B.C. he should be a full-time person, but for some reason the committee did not take this into account. It seems to me the recommendation makes sense only if this is a full time appointment.

We have to accept the fact that Mr. Ouimet has been punched in the nose or given his little bit of punishment; I do not know for what reason. But you must have someone speaking for the C.B.C. full time. In an organization of this scope which deals with day to day problems which are cropping up all the time which affect policy, how can you have a part-time person in this kind of role? Certainly the Auditor General, if you respect the advice he had to give, felt that it should be a full-time appointment. Therefore, Mr. Speaker, as I say, I interpret this as another punch in the nose for the C.B.C. and particularly for the president of the C.B.C. who came forward and gave evidence.

To me the real irony in all this is that after Mr. Henderson, the Auditor General, gave his evidence suggesting a management consultant should examine the C.B.C., after he had made his recommendation about a full-time chairman of the board, the committee asked, as a result of a motion that I introduced, which was supported generally, that we bring Mr. Dunsmore before the committee, who is I suppose what you might call the acting chairman of the board. I would like to point out that Mr. Dunsmore is an appointee of this government. He came before us and gave evidence for a considerable length of time. Every member had an opportunity to question him. It was not a case of his dodging in and dodging out. In his testimony at which I should like all members who are interested in the problem to look—it appears in the minutes of proceedings and evidence No. 27—he gave no indication that the board of directors was satisfied with things in the C.B.C., but he did point out to us, and in his evidence showed, that he had a great deal of business experience, and his associates on the board, particularly the finance committee, had a great deal of experience. They are not rubes; they are not duds. They were appointed by this government. Did he give any indication anywhere that they wanted this kind of recommendation? Not a bit of it. You cannot find anywhere in the evidence here that the chairman of the board appointed by this government felt that the board was not operating well. You cannot find any evidence at all that I can see that can be brought forward to indicate that Mr. Dunsmore felt the corporation was not operating well. I challenged him with the question, is the C.B.C. a bad corporation from the point of view of efficiency? He said he certainly did not think so, or words to that effect. To me he gave an affirmation in the performance of the corporation and the

role of the board. And here we are, without any support from this particular group whose spokesman we had before us, with this recommendation from a parliamentary committee that no executive officer or other employee of the corporation be a director of the corporation.

Well, Mr. Speaker, in regard to this kind of attack on the C.B.C. let me say this. I have never been critical, and never could be as an individual, of any member of parliament who wants to say his piece in public about what he believes in relation to any organization over which the government has any control. All I can say is that if a member believes that the C.B.C. should go, if he believes that it should be doing just programming or just handling the distribution of programs, if he believes that it no longer has a role to play; that private enterprise or private stations and private networks can do the job, then he should come forward and make that point and not proceed by this process of niggling, cutting away and undermining.

I will give another example to indicate what I mean by this undermining in the committee report. As many members know, the C.B.C. has most of its production facilities in Toronto and Montreal. In Montreal these facilities are scattered in over 20 places and in Toronto in over 12. A great deal of cost is involved in terms of communication and transportation. Anyone who visits the various Toronto headquarters cannot help but be overwhelmed by the expensive crazy quilt setup. The C.B.C., it seems to me quite properly, had plans to consolidate these facilities and had a capital investment program in relation thereto. Paragraph 6 in the committee report reads, in part:

Your committee commends the caution of the board of directors in its policy toward large capital investments at this time in Montreal, Toronto and Ottawa.

What the committee is commending is the information Mr. Dunsmore gave us that the board is seized of the changes and transitional effects with regard to broadcasting at this time and, therefore, is not going to rush into anything. In other words, the people the government appointed were aware of the situation. The committee then recommends that this course be pursued until all studies and investigations are completed. Well, Mr. Speaker, it seems to me the committee is underlining again the fact that it does not really feel the board of directors who are directing the Canadian Broadcasting Corporation are in control of things. I am prepared to accept Mr. Dunsmore's assurance that the board is watching these matters very carefully. Apparently the other members of the committee—they have this right because they are in the majority—do not feel this way. We have, therefore, a suggestion going out again that the C.B.C., which desperately needs expansion of these facilities in Montreal and Toronto in order to consolidate because of the extra cost involved, is given an O.K., to delay, postpone and procrastinate. This spirit, on occasion, is ideal because of the changing television situation. However, it seems to me there is an attitude of, damned if we are going to allow the C.B.C. to consolidate any more.

Mr. Fairfield: Would the hon. member permit a question?

Mr. Fisher: Yes.

Mr. Fairfield: Does the hon. member consider that caution should be used in connection with expenditures of approximately $70 million?

Mr. Fisher: The hon. member is quite aware of the fact that I helped to bring out, by the questioning of Mr. Dunsmore, the position that is involved. I am willing to leave it to the board of directors. I seem to be the only member of the committee who has faith in the appointments made by this government.

Another kind of niggling which is involved in this report, Mr. Speaker, is illustrated by paragraph No. 8. This paragraph reads:

There is evidence to indicate that the supervision and control of scripts and programming has not reached the levels envisaged in the recommendations made by the broadcasting committee of 1959.

There is a honey, Mr. Speaker. I do not know what it was that was envisaged by the broadcasting committee of 1959. I do not know what the evidence is to indicate that the supervision and control of scripts and programming has not reached the levels envisaged in the recommendations made by the broadcasting committee of 1959. This recommendation really does not say anything, except to indicate again that somehow there is something haywire with C.B.C. scripts and programming. If hon. members feel that C.B.C. programming is far afield, if they feel the C.B.C. is getting into what an hon. member from Newfoundland called a lot of subversive stuff, if as other members charged the C.B.C. is dealing too much with indelicate matters such as in the Zoo Story, dealing with homosexuality and other immoral things, why do they not say so? No, they say there is evidence to indicate that supervision and control of scripts and programming has not reached the levels envisaged in the recommendations made by the broadcasting committee of 1959.

Then, the committee, in turn, recommends that every effort be made by the Canadian Broadcasting Corporation to exert a stricter

control in this field of public information and entertainment. What are these things of which we want stricter control? What do we want to do, keep more people off the air? What kind of programming is it that is so bad that we need stricter control? Is there something immoral, indecent, improper or subversive in the general level of C.B.C. programs and scripts?

Mr. Macdonnell: I have stated repeatedly, Mr. Speaker, and I state again that I am a strong supporter of the C.B.C. However, it seems to me obvious that there are programs on the C.B.C. which deeply offend a large number of people in this country. I do feel that it is desirable, although I know it is difficult, that more scrutiny be given to these programs.

Mr. Fisher: I should like to ask the hon. member who has put that question, how could you have freedom for the producers and writers if you are always going to be calling for stricter control? Our evidence did not reveal anywhere that there was any crisis or anything seriously wrong in this field. If the hon. member will look back he will find that any broadcasting organization that is doing any kind of job in the field of public information and entertainment is going to be rubbing the feelings of some people the wrong way. I am a politician, and I want to get along with people, particularly the people in my constituency. However, I am always rubbing some people the wrong way. I would expect any live, public institution, whether it is a newspaper or a periodical—or a politician, because he is a public institution in a way—would cause dissent and offend people at certain times in certain areas.

Is the C.B.C. a tremendous offender? I would sooner have the C.B.C. occasionally pull a bad rock in its programming in terms of something that does not come off, than to be airing a lot of things such as we have on private broadcasting systems, the 40 top hits of the day and commercial announcements bursting out every so often.

Mr. Macdonnell: I will agree. I have to confess that there would be programs on the C.B.C. which I know should be carried and which I will not like. Nevertheless, this does not mean there should not be every effort made to improve the scrutiny which is being given. There have been some programs which I have heard about and which I do not believe any reasonable person would like. But I repeat: I am sure there are many things which a competent board would approve, and which I would not like. I accept that fact. I am not infallible.

Mr. Fisher: The point which I am trying to make is that the committee makes this kind of criticism without giving any indication where the evidence was. We did not have any evidence before our committee that I could find anywhere to the effect that the C.B.C. had fallen down in this particular regard. Where were all the scripts and programs? There were a number of cases brought up. The hon. member for Acadia (Mr. Horner) was interested in a rodeo announcer who came up from the United States. We had considerable talk about the Zoo Story. In 1959, we did have quite a bit of evidence about programs. This year, we had very little about individual programs and scripts. There was nothing to indicate that the C.B.C. was falling down on the job or that we were in any great danger or that there was a continual push of C.B.C. programs and scripts that were offensive.

There are two other points which bother me that I wanted to comment upon in relation to this report. These are omissions. There are two that are important, and one I cannot fathom. In 1959, the Canadian Broadcasting Corporation was urged by a parliamentary committee to do what the Fowler commission recommended, that is to have a more aggressive commercial policy.

We received evidence before the committee to a degree that this commercial policy is having effects upon the C.B.C. staff, and upon its relationship with private stations or its competition with private stations. We had indications that it has some effect upon affiliates of various kinds of the corporation. However, we received no recommendation on this matter and this is linked with another omission.

The C.B.C. brought forward the idea that was recommended by the Fowler commission, namely that it be put on some kind of financial basis that had a formula, that was not dependent upon what took place each year when it came before treasury board. The C.B.C. and the Auditor General made this recommendation too, namely that some kind of formula be developed for the financing of the C.B.C. upon a per head basis or a per capita basis. I do not know what happened. We had opinions from the Auditor General. We had evidence from the C.B.C. However, in the report there is nothing about that matter. There is in it not a thing about this very difficult question of a commercial policy of the C.B.C.

I should like to make it perfectly clear that a couple of years ago I and our party were against the C.B.C. going out further into commercial operations. However, it is now out there. It is now doing the chore, and commercial revenue is becoming more

and more important as a part of revenue to keep the C.B.C. operations going to the extent that they are going. It seems to me that this is one of the key points in the review of the protests we had and the evidence we received that this whole commercial revenue is in an attenuated situation because of the impact of competition from other media and from the private television stations. However, the committee did not get around to making any recommendation in this regard or even any comment upon it as, it would seem to me, would have been quite proper. Those are the two omissions.

I wish to turn last to one point. The board of broadcast governors earlier in the proceedings came before us and asked that the act be changed, section 13, subsection 4, clause (b), in relation to network affiliations so that there could be cross programming. Right at the end of our hearings the B.B.G. came back with a letter. The C.B.C. had indicated the weakness of this recommendation. The B.B.G. came back and changed its mind. Here is the authority that this government appointed, and whose fairness all of us I think should accept, coming back and telling us that they want to change that recommendation, that they do not want it. But does this submission have any effect upon the committee? It has not a bit of effect. We went right ahead. We therefore now have recommended a change of which the B.B.G. is not in favour, and of which the C.B.C. is not in favour; and I was not perfectly clear that the Canadian association of broadcasters were in favour of it in this form.

These are some of the criticisms I have of this committee report. I thought it was important at this time for one member of the committee to rise in his place and express his disagreement with the general line of the committee report.

Mr. Macdonnell: Why at this time?

Mr. Fisher: Because it is just at this time that it has come forth. I know what the whole line is going to be. The hon. member for Greenwood I am sure knows that over half the newspaper circulation in Canada is owned by publishers who also own and control radio and television stations. Anything that is critical of the C.B.C. they seize upon, explode and spread it out. This report is critical of the C.B.C. It suggests a lack of confidence in the C.B.C. in a number of its recommendations. I felt that, if I could do so, I should take the first opportunity to rise in my place and indicate that this was by no means a unanimous report and that some of us have very grave doubts about its fairness.

[Mr. Fisher.]

Mr. F. C. Stinson (York Centre): Mr. Speaker, while in this budget debate it is open to any hon. member to speak about any of the activities of the government of Canada or about anything which is of interest to parliament and while we have listened, I think, with interest and profit to the hon. member for Port Arthur (Mr. Fisher) who has just delivered what might be called a provocative speech, in the few minutes available to me I propose to confine myself to observations on some of the financial proposals made by the Minister of Finance (Mr. Fleming) in the budget address.

Before I do that, however, I should like to welcome to the house the four new members, in particular the hon. member for Kings (Mrs. Macdonald) who so graciously addressed the House of Commons earlier this afternoon and also the hon. member for Leeds (Mr. Matheson) who is a friend of mine of 15 years' standing and for whom I have especially tender feelings. Thirteen years ago he and I walked the floor of the Toronto General hospital together on a spring afternoon awaiting the arrival of his first son and my only daughter. It seems to me that at that time we were talking politics, Mr. Speaker. Since that time we have had a very friendly relationship although disagreeing entirely on political questions. I should also like to say this, and I hope it will not be terribly embarrassing to the hon. gentleman to whom I refer. I think that the government and Canadians generally are greatly indebted to the distinguished Parliamentary Secretary to the Minister of Finance, the hon. member for Carleton (Mr. Bell). I have known this hon. gentleman for some 13 years. Over that time I have watched his service to our party and to the country. I have admired the diligent way in which he has conducted himself and the great efforts he has put forward to serve his minister and his country. About his minister I shall have something to say in a few minutes.

The purpose of the budget proposals put forward by the minister was to help to create in this country conditions which would give rise to greater employment and steady and sensible growth in the Canadian economy. One of the standards by which our kind of society is judged is the success or otherwise we have in providing jobs for people who desire to work. In my opinion in North America recently we have not come up to a particularly high standard in this respect. When the budget proposals are implemented and when the effects of many of the other measures passed by this parliament are felt, I think we can look forward to a gradual increase in employment opportunities in this country.

Related to expanding employment is the objective of promoting growth in the economy. A mix of reforms, monetary, fiscal and economic, are before the house for consideration and I think that each of these in its own way should be helpful. In the next few minutes I intend to speak briefly about certain developments in the Canadian economy which have had an adverse effect on its growth in recent years and to indicate how I think the proposals put forward by the Minister of Finance may arrest these developments. These developments do not fit into any geometric pattern and one cannot speak with certainty as to the effects they have had or as to the results the budget proposals may have by way of providing solutions to some of these problems. In some respects they are related to each other and in other respects they are not related. They have different causes. Some economists refer to these developments as cyclical, structural and technological, but I do not propose to use these terms. I think that Canadians generally are becoming aware of what these developments are, but I do not think it is yet clear enough that in the 1960's we have quite a different kind of situation within Canada and the world of the 1960's is drastically different from the world of the 1950's.

Of course, one of the factors which has had an important effect on Canadian business is the strengthening of the economies of the countries of western Europe and the resurgence of the economy of Japan. Earlier this year I had an opportunity to see something of this industrial development in Japan and I was terribly impressed by the zeal, drive, enthusiasm and acumen of the Japanese businessmen whom I met. In Europe it is becoming more and more difficult to sell our goods because the countries of that continent are becoming increasingly more capable of satisfying their own needs.

In the case of the western European countries an important impetus was given to industrial expansion after the war by the Marshall plan, and in the case of Japan by United States economic assistance. Developments in these countries have tended to slow down some business activity in Canada, but in the long term I think they will be helpful to Canada. A healthy European economy is needed by our country, which looks to European markets for export trade.

It has been suggested that something akin to the Marshall plan is now required in the less developed areas of Asia and Africa to give them the capital required for a take-off similar to that displayed by the western European countries in the 1950's. I do not think the analogy is a particularly good one, but certainly capital investment in these areas will help them get into a position where they will be better able to purchase Canadian goods. Many of the budget proposals will help Canadian indusry to become more competitive, especially, in my opinion, those designed to bring down the exchange rate, reduce interest rates and those having to do with research carried on in Canada.

May I turn, second, to the question of the balance of payments. This is an extremely complex and difficult field. On June 20 the minister told us that in the past five years we have had net inflows of capital from outside of from $1 billion to $1,500,000,000 each year. Each year the value of goods and services we have bought outside the country has exceeded the value of goods and services we have sold to others. It has been said by some that this shows Canadians are living beyond their means. Certainly it would be a good thing if Canada had all the capital required for developing our own resources, and it would be to our advantage if we had a favourable balance on current international account. But the fact is that now, and for as long one can see into the future, it is going to be necessary for this country to borrow money abroad to develop our resources.

Surely it is obvious that United States investment has been one of the main reasons for our post-war prosperity, and as I say we are going to require and welcome investment by financial institutions in that country for a long time. As to the surplus of exports over imports, it seems to me that this is a problem more easily corrected than that arising from foreign borrowings. At least it is a field where individual Canadian purchasers may help out by wherever possible purchasing Canadian goods and services.

To help correct the imbalance of payments the government proposes to use the exchange stabilization fund. The minister said that the fund would be used "to neutralize, at least to some degree, the effects of the continuing capital inflows". To make any significant change in the rate there would have to be very heavy buying of United States dollars out of this fund, and the minister himself has recognized that the advantage that can be expected by using this technique is very limited because of the huge sums of money which would have to be expended to make any really significant change in the rate.

It seems to me that more important are the government's proposals to encourage borrowings within Canada. Anyone who has had any connection with the financing of capital works of the municipality of metropolitan Toronto will know how dependent that municipality has been on borrowings from the United States to finance its program. It is

the hope of the government that to a greater extent than before municipalities such as that will be able to find in Canada the resources they need for their capital undertakings.

Mr. Speaker, in the few minutes left to me I should like to say something about the co-operation asked for by the minister between government and secondary industry, and in particular about the proposal for expansion of the activities of the industrial development bank. The industrial development bank can be of limited help to secondary industry generally in this country, but it can be of some help, and unless we see greater opportunities for employment in the manufacturing industries of this country we are going to be looking at unemployment figures of something like 7 per cent to 10 per cent of the labour force for a long time to come. I do not believe these figures are acceptable to the Canadian people. In the European countries there has been intimate co-operation among government, labour and management. It seems to me that this kind of co-operation is something that has to be fostered and encouraged by each of these three groups.

I think the work of the national productivity council can be helpful in this regard. In that connection I think it was unfortunate that there were not appointed to that body younger men who have more time to devote to the work of the council than its present members. The members of that council are big names; they are great Canadians in their own fields, but they are too busy to be expected to carry on the amount of important work which that council should do. I can think of a number of young Canadian businessmen who are anxious to serve their country. They are well informed and experienced in their fields and they have not yet had an opportunity to serve their country on a council of this kind.

With regard to the industrial development bank, it seems to me that the managers of the branches of that bank have to start to get more in tune with businessmen who are coming to them with loan applications. I think, also, they have to start to show something of the sense of urgency which we find shown by managers of the large branches of the chartered banks when dealing with applications for loans from the businessmen among their customers. I would like to see some of these people show some of the same kind of drive and enthusiasm which we see displayed these days by the distinguished Minister of Finance. Speaking of that honourable gentleman, I would like to say that I consider him a man of steel, a skilful parliamentarian, a leader of men and one of the great Canadians of our time.

[Mr. Stinson.]

Another field where the government is showing initiative in assisting manufacturers is in the field of tariffs and quotas. Under this administration many sections of the tariff have been revised and at all times the government has fulfilled this country's obligations under the GATT. The quota arrangements recently completed with Japan have relieved to some extent the concerns of Canadian manufacturers of radio sets and tubes. While I know the negotiations have been delicate and difficult—and the Minister of Finance is to be congratulated on a reasonably good result—I sometimes think the government shows undue concern over a country such as Japan cutting down on its purchases of Canadian wheat. There are no price supports on unused tubes and resistors and no public money is used to pay storage bills on the inventories of the electronic and electrical industry. I think these facts should be kept in mind when the government is considering the position of farmers and other Canadian citizens in the course of these trade negotiations.

Mr. Benidickson: You had better come across to this side.

Mr. Stinson: Toward the end of his budget speech the Minister of Finance said that this budget challenges all people to hard work and self-discipline. It is trite but none the less true to say that governments cannot make this a prosperous country. The Canadian nation will be prosperous if Canadians work hard and exercise those old virtues of being resourceful and exercising self-control. Earlier in the year there was a round of salary increases in my municipality for public officials who were already well paid, and the thought came to my mind: Why should these people be asking for and receiving substantial increases in their pay for this year when they are doing no more work this year than last year? The answer to this question, of course, is that they should not have asked for or received more money. As the minister has said so often, for people who have a good rate of pay there is no justification for a pay increase unless there is a matching increase in productivity.

I do not think we should work in parliament or elsewhere for prosperity for Canada alone. Hon. members know that I am an advocate of foreign economic aid. One of the reasons I would like to see all Canadian workers employed is that then we would have more resources with which to help the economic development of less advanced countries. While some of the problems confronting us in the Canadian economy are difficult and baffling, they look comparatively unimportant when set alongside the difficulties facing the emerging nations in Africa and

Asia. I wish we could send our excellent Minister of Finance to help them out. He is giving great leadership to Canadians in these exciting days and he has earned the respect of statesmen throughout the world.

Mr. Benidickson: May I ask the hon. member a question? He has referred to his colleague, the Minister of Finance, as a man of steel. I would ask him whether he would not agree that the policies which have come from this man of steel in the last three years have been policies which are opposed to the policies which the minister proposes in this budget? I point out that the programs for which the hon. member has expressed support today are programs which were advocated on this side of the house last year and this year.

Mr. Stinson: The answer to that question is that the Minister of Finance is a man of steel in that he is unbending in pursuing policies and programs always espoused by the Conservative party for the benefit of this country.

Mr. Benidickson: Myopic is what he is.

(Translation):

Mr. Samuel Boulanger (Drummond-Arthabaska): Mr. Speaker, before starting my remarks on the amendment moved by the Leader of the Opposition (Mr. Pearson), I would like to thank the hon. member for St. Hyacinthe-Bagot (Mr. Ricard) for the free publicity he gave my products.

As a matter of fact, I can assure him that the coffins manufactured by my industry are of the best quality; that they are made of good sound wood and lined with velvet. Moreover, I have manufactured enough of them to be able to accommodate all Conservative members who will lose their seats in the next general election.

An hon. Member: You will go bankrupt.

Another hon. Member: You should keep one for yourself.

Mr. Boulanger: Yet, I may assure you that the coffin I am keeping for the hon. member for St. Hyacinthe-Bagot, like the one for the hon. member for Roberval (Mr. Tremblay) will be quite comfortable and fit the measure of their mind.

Mr. Speaker, if the hon. member for Roberval wants to ask some questions or make some remarks I would ask him to do so from his seat.

Mr. Speaker, yesterday, I listened here with attention, to the remarks of the Secretary of State (Mr. Dorion), especially when he dealt with a matter which is of particular concern to me. I am speaking of the textile industry. He had some words for me which I did not treasure very much, and I might reply that it would have been better if he had not mentioned textiles, because he was unable to answer the questions we asked. Yet, those questions were very simple ones.

However, I can commend him for the tone of his speech and the manner in which he presented it. It was a well written and well delivered statement.

Yet, if he had been well versed in textile matters, he would have spoken differently. I see that he is not at all familiar with that industry. Yet, he only had to read the newspapers and skim through the various magazines to follow the reports of some textile organizations to be aware of the present situation of that industry.

May I quote an item published in the Montreal *Star* of September 21, 1960, just for his own information. This is what it says:

(Text):

Unemployment at present is at a dangerous level and no doubt the large influx of Japanese products at low prices has tended to create the situation as these imports have jumped at least from 500 to 600 per cent in the past two years or so.

(Translation):

It is also stated in a Vancouver newspaper:

(Text):

Japanese textile and clothing imports to Canada were 92 per cent higher in 1959 than they were in 1957.

(Translation):

I could quote many more. Last April it was stated in *La Presse* that Grand'Mere Knitting, and GM Handcraft of Grand'Mere recently closed down, which left 300 workers out of a job. That brings me back to a speech delivered some time ago in the town of St. Hyacinthe by the Secretary of State.

He said then, in a speech which was probably well delivered because it was well written:

In the field of textiles, the minister explained, history proves that the Conservatives have always been leaders in government action designed to protect this basic industry. Apart from helping to set up one of the first textile unions in Canada, the Conservative party has constantly sought to protect this industry. Since 1935, however, the rights that protected it have been steadily eroded by Liberal governments. Since 1939, the protective tariffs voted by the Bennett government have lost their effect. Protection for our textile products against imports from low wage or soft money countries was partly removed after the war. The Liberal party is responsible for the present problems, due to its failure to endorse the policy of Mr. Bennett.

Since its election to office in 1957, the member for Bellechasse asserted, the Conservative party has made it a point to take important steps to promote and protect this industry which had been neglected by the Liberals.

I should have liked the minister to quote figures. But he did not, probably knowing what has happened to the textile industry since 1957.

Let me quote a few figures. Since last year, cotton imports from the United States have risen by 240 million yards. It is the first time in Canadian history that we imported more cotton than we manufactured.

From 1954 to 1960, Japanese imports jumped from $4 million to $41 million. From 1958 to last year, imports from Hong Kong jumped from $3 to $10 million.

General imports from Japan increased by approximately 170 per cent.

I could have told him also that since the Conservative party took over, some 30 textile industries have closed down in Ontario and Quebec.

I could have told him that only this past year 900 workers have lost their job.

I have here a pamphlet from the primary textile industry association which has its headquarters in Montreal. Here are a few paragraphs from that pamphlet:

> The demand for Canadian textile in 1970 would secure jobs for some 110,000 workers only, someone stated at the special Senate committee on manpower and employment on February 23, 1961.
>
> The only hope of substantially increasing the present number of some 74,000 workers employed in the Canadian textile industry would be to replace imports by domestically made products, says a brief of the primary textile institute. We have to choose between imports and jobs.
>
> The 33 page brief, signed by the chairman of the board, Mr. George H. Dobbie, and by the president, Mr. W. M. Berry, says: The rapidly growing labour force in Canada will need more jobs. While lucrative jobs are commendable objectives, no doubt they must be created to a certain degree within the professions where they are supplied in sufficient number in comparison with investments and sales.
>
> That study prepared by an outstanding economist shows that the manpower natural growth is such that within the next five years we shall have to provide jobs for one million more workers. That represents 200,000 new jobs a year until 1965. In 1960, only half that number has been provided.

That shows that there is a backlog in the creation of 200,000 new jobs a year.

I should like to tell the Secretary of State (Mr. Dorion) that textile manufacturers are not satisfied with the result of discussions held with regard to the establishment of quotas on goods imported from Japan.

Indeed, in certain sectors, quotas have been increased, while in others they have been cut down.

Quotas on blouses and shirts have gone up by 3 per cent for 1961 shipments.

[Mr. Boulanger.]

The quotas on knitted goods have been increased by 10 per cent.

There was a decrease for other goods, such as table linen, ranging about 10 per cent. There was also a reduction of 10 per cent in the case of knitted goods of textile fibre, etc. But on the whole, imports from Japan have not been reduced as much as we would have liked in the interests of the textile industry.

A greater number of jobs could have been provided in Quebec and in Ontario where 80 per cent of those industries are located.

Mr. Speaker, other basic industries will be affected as well. I refer particularly to the shoe industry. I would have liked the Secretary of State also to mention that primary industry of the province of Quebec.

In 1956, two and a half million pairs of canvas shoes were manufactured in Canada. In 1960, we were importing 69 per cent of our requirements in that field.

In 1956, we were importing a million pairs of rubber shoes; in 1960, we imported 4,750,000 pairs or 36.8 per cent of our requirements.

As far as electronics is concerned, a report handed out to the Prime Minister and to all the members gives figures indicating that before long, electronics will have disappeared from this country.

In 1956, we had 28 electronics plants. In 1960, only 18 of these remained.

From 1955 to 1959, the number of jobs in that industry went down by 28 per cent. I am told that there was another substantial decrease in 1960.

Imports of radios started when the Conservative party came to power in 1957.

In fact, in 1956, we were not importing radios. We imported 69,000 in 1957; 156,000 in 1958; 395,000 in 1959 and 692,000 in 1960, that is 77 per cent of the Canadian demand.

Besides creating unemployment, those imports made us lose revenues resulting from sales and excise taxes. In fact, in 1959, we lost on radios, $750,000 worth of taxes which we would otherwise have had if those radios had been made in Canada.

This is how it works. The 11 per cent sales tax and the 15 per cent excise tax apply on the basis of $20.35 for a radio made in Canada whereas for a similar 6-transistor radio made in Japan, those two taxes apply only on $13.20, which means a difference of $1.87 in

the yield of those two taxes. If this figure is multiplied by the number of imported sets, we get a total of $750,000 for 1959 and $1.3 million for 1960.

The Canadian electronic appliance manufacturers association made recommendations to which I give full support.

The first one is to eliminate the excise tax of 15 per cent on products from our industries.

Second, to limit imports to 10 per cent of the sales of our industries.

Third, to use the same valuation for purposes of taxation in the case of imported products as in the case of Canadian products.

If we turn now to the situation of the electronic tube industry, we find that in 1956, no electronic tubes were imported from Japan. In 1960, we imported $3.9 million worth of these tubes at a price of 29 cents each, that is 45.6 per cent of the total Canadian production. That means that we are now producing only 54.4 per cent of our needs, when in 1956 we were producing 100 per cent.

United States imports amount to only 1.7 per cent of their total production, while ours represent nearly 45.6 per cent of our requirements.

This means a lesser number of workers in electronics. In fact, between January 1, 1959 and October 31, 1960, there was a reduction of 34.5 per cent.

The federal treasury also suffered a heavy loss of revenues derived from excise and sales taxes, owing to those price differentials and the disappearance of our Canadian industries.

The recommendations submitted by the electronic tube industry association were the same as the ones put forward by the Canadian electronic industry association.

Recently, following an exchange of correspondence with the Canadian General Electric Company Limited, I received a letter dated November 30, 1960 over the signature of Mr. A. F. Johnston in which the latter made very appropriate observations on the electronic tube industry in Canada. He said, among other things:

> Today, the electronic tube industry and the Canadian people are faced with serious problems arising from the imports from Japan of certain types of electronic tubes. In 1956, no such tubes were imported. We figure, however, that those imports will reach 5.7 million units for the year 1960, that is 45.6 per cent of the total Canadian production. Those figures illustrate the serious disruption caused by those imports to our Canadian production.
>
> That situation only makes worse the ills already affecting the electronic industry and the whole of Canada.
>
> 1. Unemployment extending to 23 per cent of the electronic industry is growing constantly.
>
> 2. The electronic industry cannot succeed in establishing profitable operation bases for the future —the present situation, in that field, is worsening and cannot be readjusted unless the government takes the necessary measures.
>
> 3. Closing of plants producing material which is essential to national defence.
>
> 4. Eventual dissolution of the electronic industry.
>
> 5. No benefit to the consumer.
>
> 6. Loss of revenue for the government on:
>
> (a) sales and excise taxes
>
> (b) corporation tax
>
> (c) personal income tax
>
> (d) customs tariffs underestimated as a result of too weak a market value if, of course, the statistics given are accurate.
>
> That situation can take even more alarming proportions, because as soon as the Japanese manufacturers have succeeded in closing down the electronic tube industry, they can and will surely rapidly develop the export of electronic components including complete electronic frames. Those new tactics will force the assembly plants of the Canadian electronics industry out of business, and undoubtedly other sectors of the secondary Canadian industry will eventually have the same fate.

Still, Mr. Speaker, last year the Minister of Trade and Commerce (Mr. Hees) made definite efforts to increase the production of Canadian secondary industries. Many conferences were held to develop our markets and encourage our industry to increase production. And what do we see now? In the budget that he revealed to us some time ago, there is no measure capable of encouraging industry, and the efforts of the Minister of Trade and Commerce are futile. Just to prove that what I am saying is right, I shall quote some figures I take from the publication "The Agricultural Situation in Canada" of May 1961, where it is shown that total industrial production for the month of January 1961 was 4.2 per cent lower than that of January 1960.

The same publication indicates also that corporate profits, before taxes, have decreased by 5.9 per cent for the year 1960 as compared to 1959.

The publication also says that our exports for the first two months of 1961 have decreased by 3 per cent.

I might add that the volume of durable goods produced in January 1961 is 11.2 per cent lower than that of January 1960, and 6 per cent lower than the monthly production in 1959.

It is obvious from these statistics that there is no co-ordination between the policies of the Minister of Finance and those of the Minister of Trade and Commerce.

Mr. Speaker, there are other remarks I could make on the textile industry. The reason I spoke at some length on this subject was to answer the Secretary of State's claim that I know little about this matter. I can tell him there are many textile mills in my constituency, and that I have been concerned with this problem ever since my election to this house. I even listened to the speech made by the Minister of Finance in 1957, when he came to Drummondville, in my constituency, to discuss the textile problem.

However, I would not want to end my remarks without reverting to another matter that is close to my heart: agriculture.

Agricultural problems have been discussed at great length in the house. They have been studied in committee of the whole, in the committee on agriculture and colonization, and suggestions have been made. Today, the agricultural situation is no better than six months or a year ago.

On the basis of the policies announced in the budget, it is not expected that the agricultural situation will improve under a Conservative government. In fact, according to page 6 of the May 1961 issue of Agricultural Conditions in Canada, the index of agricultural prices on the farm dropped 2 per cent from December 1960 to February 1961. Moreover, here is what I find on page 7 of the same publication:

> Price indexes for goods and services used by farmers—in 1960, the composite index for all of Canada excluding the "living cost" factor rose by 2.7 per cent, or 7.2 points, in relation to 1959. reaching 276.7 (1935-39 = 100). The index for January 1961, at 271.8, is lower than the average for 1960, but is higher by 1.9 per cent than the corresponding index of 266.7 for January 1960.

I could speak at length on the question of revenue and farmers in this country, but I have a few words to say about the Canadian wheat board. I am not critical of the Canadian wheat board because it has played a role in the past and will in the future. I agree with the statement of the hon. member for Prince Edward-Lennox (Mr. Milligan) who said on April 11, 1961—and he should be commended because I feel he knew what he was talking about and spoke in a consistent and intelligent way. He said:

> I surely agree that the grain commission is doing an excellent job concerning the sale of grain. I think we have there an example of planned marketing which has proved to be good. My only wish is that we could apply the same marketing system to a number of other products because then agriculture would not be in its present bad situation.

[Mr. Boulanger.]

And the hon. member went on to say that the wheat board was a fine organization. I readily endorse his remarks. However, I might ask what the Canadian wheat board has done to help eastern farmers, especially last fall.

When the estimates of the Department of Agriculture were under consideration, I talked about the Canadian wheat board and more particularly about the losses incurred last fall by eastern farmers with regard to the delivery and the prices of feed grain. Last fall feed grain was hard to get and when we succeeded in getting some, we had to pay quite a high premium. The reason was that the Canadian wheat board had no authority to store grain for the milling of feed for eastern farmers. This matter was dealt with at length during consideration of the Canadian wheat board report which was concluded yesterday.

I must say at this stage that I was most disappointed to notice that few members of the province of Quebec attended the four meetings of that committee. In fact, there was only one Conservative member and he stayed only an hour.

Mr. Speaker: I am sorry to interrupt the hon. member, but his time has run out.

(Text):

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, after having trespassed upon the patience of the house at very great length in introducing the budget on June 20, it is with some diffidence that I rise now to conclude the debate on the main opposition amendment. However, Mr. Speaker, I say in extenuation of this circumstance that, under the rules, this is the last opportunity that I have to speak in the budget debate or offer a reply to anything that has been said in the debate up to this point.

I thank those hon. members who have spoken in this debate, and especially those who have spoken in a kindly fashion about the budget. May I say that the reception accorded the budget generally throughout the country has been unusually favourable and is indeed very gratifying. It is evident that the country welcomes the broad and comprehensive program of constructive action put forward in the budget. Today, Mr. Speaker, by reason of the limitation of time I must confine myself to several points that have

been raised in the discussion by hon. members of the opposition who have spoken. In coming to those various matters, of which I shall be discussing several, may I ask hon. members to consider first what are the results of the budget as visible to date in the eight days that have passed since its delivery.

First of all, in regard to the exchange rate on the Canadian dollar, which measures the external value of the dollar and not its internal value in terms of domestic transactions in Canada, may I say that in keeping with the purpose of the budget the Canadian dollar has moved to a discount of approximately 3 per cent in terms of the United States dollar.

Mr. Benidickson: At the moment only by talk. We will see.

Mr. Fleming (Eglinton): I will have to ask the hon. member to control himself because time is limited and I am trying to conclude my remarks so that there may be an earlier vote, which I understand is the wish of hon. members opposite.

In this regard, Mr. Speaker, a considerable measure of stability has been developed which I think is very gratifying. The next observation, Mr. Speaker, has been the view taken by the financial markets of this country in the eight days that have passed. It must be, in the light of the alarm sounded by hon. members opposite, gratifying that in the eight days that have intervened since the budget the financial markets of this country are stronger than they were before the budget was introduced.

Mr. Benidickson: Equity grabbers after your budget reacted to fear of inflation.

Mr. Fleming (Eglinton): If the hon. member is going to persist, then I am not going to be able to finish in time as I was endeavouring to do. I shall have to deal with these silly and misleading interjections. It rests entirely with him.

In all categories of Canadian bonds, short, medium and long term, the fact is that these Canadian issues are stronger now than they were when the budget was introduced. Correspondingly, the interest yields on these bonds in the market today has been reduced accordingly. I think this is a very good test of the degree of confidence engendered in the government's financial program in the appraisal to which the country has submitted it.

I now come to these specific criticisms. The tenor of observations of hon. members opposite has revolved around first, the reduction in the external value of the Canadian dollar; second, the deficit; and third, the danger, as they see it, of inflation. Let me say that while I propose to reply to their observations, it is not because they put them forward with any semblance of a constructive approach. Indeed, the observations of hon. members opposite on these subjects have been singularly unproductive of ideas or proposals. Indeed, I think it not unfair to say that hon. members opposite have avoided suggesting solutions like the plague.

Mr. Benidickson: Last year and the year before.

Mr. Fleming (Eglinton): Mr. Speaker, it is up to the hon. member.

Let me speak now about what hon. members say with regard to the dollar. Their criticism has been harsh. They have viewed the decline in the external value of the Canadian dollar by these three percentage points with fear and foreboding. There has been a great confusion on the part of hon. members opposite, a cacophony of discordant and contradictory voices. I take you back very briefly, Mr. Speaker, to the national Liberal convention of December last. It was stated there, and it has been stated elsewhere by what were thought to be authoritative voices in the Liberal party, that this party opposite wanted a lower exchange value for the Canadian dollar. It is commonly understood that Mr. Walter Gordon, who is regarded as a very important spokesman for the Liberal party on financial questions, favoured this course. He was chairman of the resolutions committee of the Liberal national convention. What has Mr. Gordon been saying? He has been reasonably consistent on this subject. On March 17, 1961, he stated:

> We need instead an expansionist approach to economic policy: easier credit, lower interest rates and a lower exchange rate for the dollar.

Again, we have Mr. Gordon saying this on June 5, 1961. He decries what he calls the tight money policy and then he goes on to say this:

> The government should state its firm intention to see that the present artificially high exchange rate for the Canadian dollar is reduced in order to stimulate business activity in Canada.
>
> This should be brought about by the proposed changes in monetary policy and reduction in interest rates, coupled with skilful operation of the foreign exchange fund. However, if in the opinion of the authorities more direct action would be needed in addition to accomplish some measure of devaluation, they—

Meaning the government.

> —should not hesitate to take it.

Mr. Speaker, these are the things we have proposed in the budget. These are the things that hon. members opposite are criticizing. May I say that I will take Walter Gordon's opinion before I will take the opinion on

such questions of any hon. members opposite who have spoken in this debate.

Here is Mr. Gordon on this same occasion again on June 5. He states:

> But at present much of our own resources are idle and unemployment, not inflation, is the main problem that confronts us.

I ask hon. members opposite to bear that in mind when I come back to that theme. Again here is a report on that Liberal meeting, the meeting of Liberal minds in Kingston last September. It is a report in the Ottawa *Journal* of September 7, 1960. Here we have a reference to Mr. Gordon's statement there:

> The best immediate step to assist such industries he thought would be in reducing the present high value of the Canadian dollar.

Here we have a report of January 10, 1961, reporting on the Liberal national convention. They are advocating lower interest rates to remove the premium on the Canadian dollar. Again, here is the Toronto *Telegram* of January 10, 1961, reporting a speech made at the convention by the hon. member for Essex East (Mr. Martin). This is what he advocates:

> Maintain, through a "flexible monetary policy", lower dollar exchange rates to aid both the tourist industry and export trade.

Again here we have, on January 11, 1961, another report from that convention:

> New monetary policies would stimulate exports and improve Canada's position by lowering the value of the Canadian dollar.

Mr. Speaker, hon. members opposite cannot have it both ways. They have turned their backs on what was said at the convention. That is only five months ago. They have thrown the convention platform overboard if they mean what they have been saying in this debate so far on this subject, and it is evident they have thrown overboard what Mr. Gordon has been saying, presumably on their behalf. They have repudiated their platform in this regard. They have repudiated Mr. Gordon.

We say that this movement of the Canadian dollar to this present position is going to aid trade, to aid employment and to aid in redressing the imbalance in our international payments. In this respect the policy of this budget is a continuation of the same policy that was put forward before the house in the two budgets introduced in 1960. Following the budget of March 31, 1960 there was a reduction in the external value of the Canadian dollar. Following the supplementary budget of December 20, 1960 there was a further reduction. This present budget carries further the same progress. This budget is completely in accord with the purposes of those two budgets of 1960.

[Mr. Fleming (Eglinton).]

I pass now to the next subject which has engaged the attention of hon. members opposite. They complain about the deficit. They see no virtue in the deficit that has been proposed in this budget. They picture the country as going to blue ruin because of this deficit.

It is a large deficit admittedly, Mr. Speaker. It could have been reduced. I could have recommended to the house a budget that would have contemplated a smaller deficit. I could, for instance, have proposed that there would not be any tax reductions. We would have had a smaller deficit if I had not proposed tax reductions. We would have had a smaller deficit if we had not proposed to increase the benefits to veterans in the form of pensions and allowances at this session. Do hon. members opposite wish to see the deficit reduced by denying those pensions and allowance increases to the veterans? My colleague the Minister of Public Works (Mr. Walker) this afternoon reminded us that in the aid this government has given to the provinces and their institutions since we came into office we have moved up, as compared with the last fiscal year before we came into office, the payments to or for the benefit of the provinces from $690 million in that year to $1,470 million in this year. Is it any wonder that we have a deficit? The deficit has arisen by reason of the tremendous increase we have made in these payments to and for the benefit of the provinces. These are transfer payments.

Hon. members opposite cannot have it both ways, Mr. Speaker. They talked out of both sides of their mouths throughout this debate. This is not a new tactic. They proposed deficit financing at their convention and they have been saying the same thing since then. The Leader of the Opposition (Mr. Pearson) will not mind if I remind him of a report in the Toronto *Daily Star* of last September in which he is reported as saying that he would not favour deficit budgeting in normal times. He was asked if these were normal times and he said no, that they are not normal times. He is on record elsewhere. Here he is at the Liberal convention last January proposing a deficit. He calls it a planned deficit. Ours is certainly a planned deficit.

Some hon. Members: Oh, oh.

Mr. Fleming (Eglinton): It is a result of deliberate policies and decisions. Make no mistake about that fact, Mr. Speaker. The Leader of the Opposition has advocated deficit financing for times like these. However, it seems that his followers believe in deficits when Liberals bring them in but that they

do not believe in deficits in these circumstances when a Conservative government brings them in. That is the difference.

Do not take my word for it, Mr. Speaker. I have here a statement made last week by Dr. Donald E. Armstrong of McGill University, in a speech he made over the radio. He was speaking first of all about the program proposed by the governor of the Bank of Canada in the statement he put out a week ago Monday, June 19; that is the one that had been sent to me in confidence last February. Of it he says this:

> But judged on its key recommendations, the Coyne budget is just sheer nonsense. The idea of balancing a budget and increasing taxes in order to fight a recession is ridiculous. As far as I am concerned the Coyne budget has shown me that Mr. Coyne's area of incompetence extends far beyond monetary policy, and that he is equally badly informed on matters of trade and fiscal policy.

And further:

> Mr. Coyne is really only the chief propagandist of bad economics. He has achieved that position partly because he is a forceful and persuasive speaker, and partly because he has control of the central bank's propaganda machinery which enables him to spread his nonsense effectively at the expense of the taxpayer.

And further:

> Against this back drop of stagnation, how does the budget look? To me it looks just fine. In its total effects it is very much what the country needs.

And further:

> A $1 billion cash deficit is just about what the economy needs to lengthen and strengthen the upswing. The cash deficit is a measure of the additional spending power which is being pumped into the economy. Provided that it is accompanied by an appropriate monetary policy, this additional spending will be translated into additional employment.

Mr. Speaker, that is what we have in mind and that is what we have proposed to the house in asking the approval of the house. Hon. members opposite will have their opportunity of being judged by what they have said in this debate or the things they have said outside which are contradictory of the things they have said in this house.

The Leader of the Opposition (Mr. Pearson) —if he does not mind my reminding him of what he said in the T.V. press program last Thursday night—said, speaking of what would have happened if he had been leading the government at this time, "We would have had a deficit too". So, Mr. Speaker, hon. members opposite who have been critical of the deficit apparently have decided to repudiate what has been said on their behalf by their leader and elsewhere.

Mr. Pearson: Mr. Speaker, on a point of order, the minister has quoted me. I know he would like to quote me accurately and I dislike interrupting him, but he stated that I said we would have had a deficit. What I said in this broadcast was that we would have had a deficit in 1958, when we were in a recession; but now, according to the minister, we are not in a recession any longer.

Mr. Fleming (Eglinton): Well, I simply quote the words of the Leader of the Opposition, Mr. Speaker. By reason of the limitation of time I cannot dwell on this. He said last Thursday night, "We would have had a deficit too".

Mr. Pearson: In 1958 and 1959.

Mr. Fleming (Eglinton): Does the Leader of the Opposition say now that he would not be budgeting for a deficit if he were doing the budgeting today? If he does say that, Mr. Speaker, he is contradicting what the Liberal national convention proposed and he is contradicting what Mr. Walter Gordon has been saying. Here is what Mr. Walter Gordon said on June 5, 1961, and here he was laying out in his speech at Simcoe his proposals for the coming budget:

> The Minister of Finance will be budgeting for yet another deficit, and it is difficult to see how, in the circumstances, any over-all reduction in taxes could be justified at this time. This is particularly true if the authorities really believe, as the Prime Minister suggested in a recent speech, that the end of the recession is in sight. In fact, if the authorities expect a substantial improvement in business conditions in the near future, some increases in taxation even may be called for.

Are hon. members opposite calling for increases in taxes? Well, Mr. Coyne did. He called for increases in personal income taxes; he called for increases in corporation taxes, indeed such a rate of increase in corporation taxes as would have set back recovery in this country perhaps very seriously; he called for increases in tariffs on everything coming into the country; he called for a federal gasoline tax, and other things.

These are the contributions to the solution of our existing problems that hon. members opposite appear to be advocating. So far as I am aware, hon. members opposite have chosen to ignore what has been said in the budget speech; the concrete proposals for dealing with the problem of maintaining confidence and strengthening the financial markets. They have not been saying very much about the constructive proposals put forward here with regard to providing a purchase fund so that $100 million may be available this year for purchases of bonds in the open market to strengthen that market, particularly the medium and long term end of it. They have not said anything about the constructive proposal to remove the overhang upon the market in the form of the securities held by the unemployment insurance fund. They have not said anything

about the constructive proposals we have put forward in regard to the marketing of new issues. They have chosen to ignore these.

They have chosen instead to try to break down confidence and make the country think that we are in for a horrible experience of inflation. That leads me, Mr. Speaker, to say this. They are talking as though the finances of this country are in a shaky condition. Mr. Speaker, I ask leave of the house at this point, in trying to save time, to put on the record figures that have been taken from official government records calculating the net debt per capita in this country in the years 1950 to 1961 and as a percentage of gross national product. May I have leave, Mr. Speaker?

Mr. Speaker: Has the minister leave to incorporate this table?

Some hon. Members: Agreed.

Mr. McIlraith: Just one clarification, Mr. Speaker, before those figures are tabled. Did the minister say, the net debt, or the net and government guaranteed debt?

Mr. Fleming (Eglinton): I said, the net debt on a per capita basis and as a percentage of gross national product.

Mr. Benidickson: Prepared by whom?

Mr. Fleming (Eglinton): These are from government records, Mr. Speaker. The net debt per capita in Canada in 1950 was $849.23; in 1961, $687.98. Net debt. As a percentage of gross national product, in 1950, 70.7; in 1961, 34.6. Is this country going to the bow-wows? Is it heading for blue ruin, as hon. members opposite picture it? Is there any need for lack of confidence in the future of this country?

Mr. Benidickson: Sound as a bell.

Mr. Fleming (Eglinton): There are the answers. Briefly, Mr. Speaker, I must say a word about inflation.

[*Editor's note: the table above referred to, follows:*]

Net Debt Per Capita and as a Percentage of GNP

	Net debt per capita*	Net debt as % of GNP†
1. 1950	849.23	70.7
1951	816.14	62.8
1952	773.59	52.1
1953	751.88	48.0
1954	727.15	45.4
1955	717.49	45.3
1956	701.47	41.6
1957	663.55	36.0
1958	647.95	34.6
1959	669.56	35.5
1960	678.63	34.7
1961	687.98	34.6

* Based on estimated population as at June 1 nearest to fiscal year-end except 1961 where March estimate of population was used.

† Based on gross national product for the calendar year ended in the fiscal year.

Mr. Pearson: Mr. Speaker, may I raise a point of order. The minister has been courteous enough to discuss with me the possibility of an earlier vote to meet a personal convenience. I think in the circumstances I would like to withdraw that request and give him the full time for his remarks.

Mr. Benidickson: Give him the other 15 minutes.

Mr. Pickersgill: Go ahead.

Some hon. Members: Hear, hear.

Mr. Fleming (Eglinton): Mr. Speaker, I thank the Leader of the Opposition. The matter of accommodation here is one in which I think hon. members wish to extend mutual co-operation. I will try to be brief in my comments so that there may be no unecessary time taken. Mr. Speaker, the third matter is inflation.

Mr. Speaker: Order. Do I understand that the vote is to be taken when the minister has finished?

Mr. Pearson: I think in the circumstances, Mr. Speaker, the minister should not feel inhibited by any request I made and he should be allowed to go on until a quarter to six.

Mr. Fleming (Eglinton): I can assure the Leader of the Opposition that I will endeavour to finish before a quarter to six.

Mr. Hellyer: He is not saying anything; let him talk on.

Mr. Fleming (Eglinton): That is very helpful indeed, as one would expect.

An hon. Member: You were not here when he started; you just got in.

Mr. Fleming (Eglinton): My third subject, Mr. Speaker, is inflation. Hon. members opposite have referred to speeches I have made over the past several years on the subject of inflation. Let me make it abundantly clear here and now that I take back not one word that I have been saying in any of those periods on the subject of inflation. Two years ago we were faced, in the view of many people in

this country, with a serious threat of inflation. Indeed, I have had a good deal to say on this subject. But the climate has changed now and what I am saying now, and what leading Liberals have said in their better and clearer moments, is that the major problem now is not inflation; that the threat of inflation has eased and we can address ourselves now more directly to the problem of unemployment.

Mr. Benidickson: That was last year.

Mr. Fleming (Eglinton): That is what Mr. Walter Gordon said recently; he said that very plainly; and that is what hon. members opposite have said in their clearer moments. Hon. members opposite in this debate, however, have been telling us we were wrong to fear the threat of inflation a couple of years ago. They were telling us then that there should have been expansionist policies; they would have introduced expansionist policies then. If they had had the opportunity, Mr. Speaker, the results would have been very serious and damaging. But conditions are different now. Now is the time, however, when hon. members opposite are standing up and criticizing a budget that, in response to the conditions of 1961, aims at expansion of the economy. Now they are critical of an expansionist budget and they have said the most extraordinary things. They have held out the picture of the government turning on the printing presses. Every hon. member opposite knows in his heart that there is no thought on the part of this government of extending any countenance whatever to inflation or turning on the printing presses. An hon. member of this house resorting to the worst kind of buffoonery stood up here not long ago and tore pieces off a dollar bill. I suspect, Mr. Speaker, that as soon as he got out of the house that evening—

Mr. Pickersgill: I did not tear it.

Mr. Fleming (Eglinton): —he patched up the dollar bill with scotch tape and probably rushed off to the bank, perhaps even to the Bank of Canada, to present it as a damaged dollar to get back a brand new dollar bill in its place. But after he had finished his performance here he sat down and pounded his desk in applause of his own speech.

They picture this budget as threatening inflation. Well, here is Mr. Walter Gordon who wrote for the Toronto *Daily Star* on October 15, 1960. He said: "It is unemployment and not inflation that is the immediate menace." How can members opposite contradict Mr. Walter Gordon? Here again the *Daily Star* sets forth Mr. Walter Gordon's proposals, 12 of them, with illustrations. No. 4 says: "Produce more goods and import less." Hon. members opposite have very short memories. In fairness to Mr. Walter Gordon who has been doing his best to help them they should not repudiate him now in the way they have been doing in this debate. This is a scandalous way to use a very important ally.

They are pretending that the cost of living is going to rise as a result of this budget and they seize on an observation made by a man in the baking business suggesting that the result is going to be an increase in the cost of bread. They have been trumpeting this all over.

Mr. Benidickson: Every economist says so.

Mr. Fleming (Eglinton): The hon. member opposite had better not call himself an economist yet.

Mr. Benidickson: I did not say I was. I said every economist says so.

Mr. Fleming (Eglinton): And I say every economist does not say so, and when the hon. member makes that statement he is talking plain, unadulterated nonsense.

Mr. Benidickson: Oh, you have said that before.

Mr. Fleming (Eglinton): Mr. Speaker, following upon the budget and the decline in the exchange value of the Canadian dollar, the wheat board raised the price of wheat by five cents per bushel. The action taken by the wheat board in increasing its asking price for all grades of wheat and in all positions followed traditional policy and, what is perhaps more important, is justified under existing circumstances. If Canadian wheat prices had not been brought in line with the new exchange value of the Canadian dollar, we would have, in effect, offered wheat on the world market at a lower price and this would have had several results, all of which appear undesirable.

First are the international aspects. Wheat is an international commodity and prices are highly competitive. Any major reduction in the overseas price of Canadian wheat would undoubtedly have been met by our competitors.

Second, there are domestic aspects. It follows that as far as wheat exports are concerned, an increase in the price of wheat was the only feasible alternative if our western farmer is to benefit from the downward adjustment of our dollar. And, Mr. Speaker, the benefit to the western wheat farmer was one of the purposes of this budget. Make no mistake about that.

Let us see this matter in its true proportions. Of course, this meant that Canadian millers would also have to pay a higher price for wheat. However, the impact of this on the cost of making a loaf of bread is very

small, and it is difficult to see any justification for the claims of at least some elements of our baking industry to the effect that they would have to increase the price of bread to the consumer by one cent per loaf. I understand that an increase in the price of wheat by five cents per bushel will account only for about one eighth or one ninth of a cent per loaf of bread, and a 24-ounce loaf at that. Consequently, the change in the price of wheat, taken by itself, should not lead to a rise in the price of bread. Unless there are other and additional factors which make it difficult to hold the price line, the bakery industry should be able to absorb this increase of one eighth or one ninth of a cent for a 24-ounce loaf of bread. So I do not think we need to be much impressed by these bogeys which are being raised by hon. members opposite.

I have said in the budget speech, and I repeat it now, that in my opinion the effect on the cost of living in Canada as a result of the reduction in the exchange value of the Canadian dollar will be minimal. I repeat that.

I shall not have time to go into detail on the subject of the alternative proposals put forward by the governor of the Bank of Canada but I think I have said on other occasions enough about this to indicate why they were in their principal aspects unacceptable. Let me make one further observation on this subject. When the governor of the bank, in the shocking statement which he put out the day before yesterday and which has been distributed since all over Canada in envelopes of the Bank of Canada bearing the mark of the postage meter of the Bank of Canada, each worth 17 cents postage—when he says in that statement that the budget had been changed as a result of his putting out that statement on Monday he is uttering a monstrous and total untruth.

Mr. Martin (Essex East): But the budget has been changed.

Mr. Fleming (Eglinton): The budget has been changed many times up to the last minute and there were many changes in this budget, but not one of them had anything to do with anything that the governor was putting forward or with the statement the governor put out on the Monday in violation of the confidence in which that statement was sent to me in February. So this statement on his part is completely untruthful and misleading.

Finally—and I am compressing my remarks—we have before us and are now about to vote upon an amendment which invites the house to express its lack of confidence in the government. It winds up by saying the government is not entitled to the confidence of the elected representatives of the people. Nothing could be plainer than that description of an invitation to the house to express want of confidence in the government. It was interesting, however, to find that one new hon. member of the house went a step further. The hon. member for Niagara Falls (Miss LaMarsh) went a step further. She was not content to ask the house to say that it has no confidence in the government but she said, as reported at page 6923: I can only say, Mr. Speaker: "Take us to the country."

An hon. Member: She meant to the cleaners.

Mr. Fleming (Eglinton): She continued:

> "How hon. gentlemen opposite would then find out what the feeling of the country is... with respect to the trifling proposals which were placed before us on Tuesday night."

And then, when she was asked the question by another hon. member of this house whether she was speaking for her party when she made that remark, she replied:

> I am a member of my party. I know they are people of courage, that they have been responsible for a great government, and will be again shortly.

Some hon. Members: Hear, hear.

Mr. Fleming (Eglinton): Hon. members opposite did not take in quite as much territory in their amendment. This amendment invites the house to say it has no confidence in the government. It could just as easily, if hon. members had wished to do so, have asked the house to say that the country had no confidence in the government. That would have been the fulfilment of the kind of statement which the hon. member for Niagara Falls was purporting to make and she seemed to suggest that she was speaking for her party. Other hon. members opposite have been a little more cautious in this respect but in view of the fact that there has been an example here again of hon. members opposite trying to have it both ways, talking out of both sides of their mouths at the same time, perhaps the house should understand that this is a challenge that goes all the way and we are prepared to meet it on any basis.

Mr. Speaker: Is the house ready for the question?

Some hon. Members: Aye.

The house divided on the amendment (Mr. Benidickson) which was negatived on the following division:

YEAS

Messrs:

Badanai	Bourget
Batten	Bourque
Benidickson	Caron
Boulanger	Carter

Chevrier	Macnaughton
Clermont	McIlraith
Denis	McMillan
Deschatelets	McWilliam
Dumas	Martin (Essex East)
Dupuis	Matheson
Eudes	Meunier
Fisher	Pearson
Garland	Peters
Godin	Pickersgill
Habel	Regier
Hellyer	Roberge
Herridge	Robichaud
Howard	Tardif
LaMarsh, Miss	Tucker
Leduc	Winch—40.

NAYS

Messrs:

Aiken	English
Aitken, Miss	Fairclough, Mrs.
Allard	Fairfield
Allmark	Fleming (Eglinton)
Baldwin	Flemming (Royal)
Barrington	Fortin
Beech	Fournier
Bell (Carleton)	Frechette
Bell (Saint John-Albert)	Fulton
Belzile	Green
Best	Grenier
Bigg	Grills
Bissonnette	Gundlock
Bourbonnais	Hales
Brassard (Chicoutimi)	Halpenny
Broome	Hamilton (Notre Dame de Grace)
Browne (St. John's West)	Hamilton (Qu'Appelle)
Browne (Vancouver-Kingsway)	Hamilton (York West)
Brunsden	Harkness
Campbell (Lambton-Kent)	Henderson
Campbell (Stormont)	Hicks
Cathers	Hodgson
Chambers	Howe
Charlton	Jorgenson
Chatterton	Jung
Churchill	Keays
Clancy	Kennedy
Comtois	Knowles
Creaghan	Korchinski
Crouse	Kucherepa
Danforth	Lafreniere
Dinsdale	Lahaye
Dorion	Lambert
Doucett	Lennard
Drouin	Letourneau
Drysdale	Macdonald, Mrs.
Dubois	Macdonnell
	MacEwan
MacLean (Queens)	Pratt
MacLellan	Pugh
Macquarrie	Rapp
MacRae	Regnier
McBain	Richard (Kamouraska)
McCleave	Robinson
McFarlane	Rogers
McGee	Rompre
McIntosh	Rowe
McLennan	Small
McPhillips	Smith (Lincoln)
McQuillan	Smith (Simcoe North)
Mandziuk	Smith (Winnipeg North)
Martel	Southam
Martineau	Starr
Martini	Stefanson
Milligan	Stinson
Monteith (Verdun)	Tassé
Montgomery	Thompson
More	Thrasher
Morissette	Tremblay
Morris	Valade
Muir (Cape Breton North and Victoria)	Villeneuve
Muir (Lisgar)	Vivian
Noble	Walker
Nugent	Webb
O'Leary	Webster
Parizeau	Weichel
Pascoe	White
Paul	Winkler
Phillips	Woolliams
Pigeon	Wratten—139.

Mr. Speaker: The question is on the main motion.

On motion of Mr. McIlraith the debate was adjourned.

BUSINESS OF THE HOUSE

Mr. Chevrier: May I inquire what the business will be for tomorrow and the rest of the week?

Mr. Churchill: A continuation of the debate on the budget tomorrow, and perhaps the house will be agreeable to concluding it on that day. Depending on the progress made tomorrow, I will announce the business for Friday and Saturday.

Mr. McIlraith: Tell us now and then we will know what progress is being made.

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

ANSWERS TO QUESTIONS

The following answers, deposited with the Clerk of the house, are printed in the official report of debates pursuant to standing order 39:

SUBVENTION PAYMENTS TO INCORPORATED COMPANIES

Question No. 238—**Mr. Howard:**

1. Since January 1, 1950, have any subventions been paid to any incorporated companies other than crown corporations?

2. If so, with respect to each such company, what is (a) the amount of the subvention by period of payment (b) the total amount paid to date (c) its name, address, and type of business (d) the expiry date, if any, of the subvention (e) the authority for each such payment (f) the date upon which each subvention came into effect (g) the date and nature of any change in the subventions?

Answer by: **Hon. Alvin Hamilton (Minister of Agriculture):**

1. Nil.

2. Nil.

LOANS TO INCORPORATED COMPANIES

Question No. 239—**Mr. Howard:**

1. Since January 1, 1950, have any loans been made to incorporated companies other than crown corporations?

2. If so, with respect to each such company, what is (a) the name, address, and type of business (b) the total amount of each loan (c) the date of each loan (d) the term of each loan (e) the rate and type of interest paid or payable on each loan (f) the authority for each loan?

3. Have any companies defaulted on their loan, and, if so, which companies, and what are the details in each case; and what is the total amount lost to date by defaulted loans?

Answer by: **Hon. Alvin Hamilton (Minister of Agriculture):**

1. Nil.

2. Nil.

3. Nil.

AGRICULTURE AND REVENUE DEPARTMENTS—EXPENSES, 1960

Question No. 253—**Mr. Argue:**

What were the total expenses in 1960 for the departments of (a) agriculture (b) national revenue?

Answer by: **Hon. Noel Dorion (Secretary of State):**

(a) Department of Agriculture: For the fiscal year 1960-61, $151,795,163.00.

(b) Department of National Revenue: (so far as the customs and excise division is concerned) For the fiscal year 1960-61, $38,978,253.82; (so far as the taxation division is concerned) for the fiscal year 1960-61, $34,282,466.52.

STATION CKWS, KINGSTON—C.B.C. PROGRAM COMMITMENTS

Question No. 257—**Mr. Allmark:**

1. What are the hours of reserved time when CKWS (Kingston) is required to carry Canadian Broadcasting Corporation programming?

2. What C.B.C. sustaining programs does CKWS in fact carry?

3. Under what circumstances is CKWS released from any particular commitment to carry a C.B.C. reserved time sustaining program?

4. Is "University of the Air" on reserved time, or is it carried by CKWS's own free choice?

5. On what basis can CKWS drop one program of a series such as "University of the Air"?

Answer by: **Hon. J. W. Monteith (Acting Minister of National Revenue):**

I am informed by the Canadian Broadcasting Corporation as follows:

1. Station CKWS Kingston at present reserves 13 hours and 15 minutes weekly for C.B.C. programs as follows:

Sunday, C.B.C. News 2.00-2.03 p.m., Rod and Charles (Delay) 3.00-4.00 p.m., Childrens Magazine, Capitol Report (Delay) 4.30-4.57 p.m., Project '61 5.00-6.00 p.m., C.B.C. Stage 8.00-9.00 p.m., News and Commentary 10.00-10.30 p.m.

Monday through Friday: News and Commentaries 10.00-10.30 p.m.

Monday: Farm Forum 8.30-9.00 p.m., University of the Air, 10.30-11.00 p.m., Chamber Music, 9.00-10.00 p.m.

Tuesday: Distinguished Artists 10.30-11.00 p.m.

Wednesday: C.B.C. Wednesday Night, 7.30-10.00 p.m.

Thursday: Citizens' Forum 8.30-9.00 p.m. Variety Showcase, 9.00-10.00 p.m. (Parts 1 and 2).

Friday: Nation's Business—Provincial Affairs 7.45-8.00 p.m. All times EST/EDT.

2. CKWS Kingston Weekly Schedule.

Sunday: 10.00-10.15 a.m. Neighbourly News, 10.15-10.30 a.m. Weather and Ontario Gardener, 2.00-2.03 p.m. C.B.C. News, 3.00-4.00 p.m. Rod and Charles and Children's Magazine, 4.30-4.57 p.m. Capitol Report, 5.00-6.00 p.m. Venture, 8.00-9.00 p.m. C.B.C. Stage, 10.00-10.30 p.m. C.B.C. News and Commentaries.

Monday: 8.00-8.11 a.m. C.B.C. News, 1.05-1.20 p.m. Don Messer Show, 8.30-9.00 p.m. Summer Fallow, 9.00-9.30 p.m. Choral Series, 9.30-10.00 p.m. Little Symphonies, 10.00-10.30 p.m. C.B.C. News and Commentaries, 10.30-11.00 p.m. University of the Air.

Tuesday: 8.00-8.11 a.m. C.B.C. News, 10.00-10.30 p.m. C.B.C. News and Commentary, 10.30-11.00 p.m. Distinguished Artists.

Wednesday: 8.00-8.11 a.m. C.B.C. News, 1.05-1.20 p.m. Don Messer Show, 7.30-10.00 p.m. C.B.C. Wednesday Night, 10.00-10.30 p.m. C.B.C. News and Commentary.

Thursday: 8.00-8.11 a.m. C.B.C. News, 8.30-9.00 p.m. Massey Lectures, 9.00-10.00 p.m. Variety Showcase Parts 1 and 2, 10.00-10.30 p.m. C.B.C. News and Commentary, 10.30-11.00 p.m. Eventide.

Friday: 8.00-8.11 a.m. C.B.C. News, 1.05-1.20 p.m. Don Messer Show, 7.45-8.00 p.m. Provincial Affairs, 10.00-10.30 p.m. C.B.C. News and Commentary.

Saturday: 8.00-8.10 a.m. C.B.C. News, 10.00-10.10 p.m. C.B.C News.

3. Stations are released from reserve time for special broadcasts and sporting events of local interest.

4. University of the Air is in optional reserve time and CKWS carries this program as an option.

5. See No. 3. Prior permission is obtained from the corporation for release from reserve time or permission to delay the program to another time, in order to accommodate special local programming scheduled by the station.

C.B.C. GRANTS IN LIEU OF TAX, HALIFAX

Question No. 265—**Mr. Morris:**

1. Does the Canadian Broadcasting Corporation pay grants to the city of Halifax in lieu of taxation on Canadian Broadcasting property?

Questions

2. If so, what is the formula used in the payment of such grants, and is the formula related to the so-called commercial tax rate or to the residential tax-rate applied by the city of Halifax to taxpayers?

3. What was the total grant paid by the Canadian Broadcasting Corporation to the city of Halifax in lieu of taxation on Canadian Broadcasting Corporation properties in (a) 1956 (b) 1957 (c) 1958 (d) 1959 (e) 1960?

4. What was the total accepted value of Canadian Broadcasting Corporation property on which the 1960 grant to the city of Halifax was based?

Answer by: **Hon. J. W. Monteith (Acting Minister of National Revenue):**

The Canadian Broadcasting Corporation advises as follows:

1. Yes.

2. The present formula is the equivalent of real property taxes and is computed on the basis of the effective rate of the real property tax applied to the accepted value of C.B.C. owned and occupied property. The commercial or non-residential rate applied by the city of Halifax is now used.

3. (a) 1956, $4,696.35; (b) 1957, $8,243.60; (c) 1958, $21,612.60; (d) 1959, $21,611.60; (e) 1960, $22,849.20.

4. $461,000.

HOUSE OF COMMONS

Thursday, June 29, 1961

The house met at 11 a.m.

STANDING ORDERS

CONCURRENCE IN THIRTEENTH REPORT OF STANDING COMMITTEE

Miss Margaret Aitken (York-Humber) presented the thirteenth report of the standing committee on standing orders, and moved that the report be concurred in.

Motion agreed to.

TRADE

URANIUM—INQUIRY AS TO NEGOTIATIONS WITH UNITED KINGDOM

On the orders of the day:

Hon. L. B. Pearson (Leader of the Opposition): May I ask the Minister of Finance, in the absence of the Minister of Trade and Commerce, if he can give the house any information about the uranium contract negotiations with the United Kingdom, concerning which details have appeared in the press?

Hon. Donald M. Fleming (Minister of Finance): I think there is nothing further to report at this time. The house has been made acquainted with the negotiations which took place in Ottawa a fortnight ago when Sir Roger Makins was here with a group of experts representing the United Kingdom. There were exchanges at that time, and arrangements were made for continued discussions at the official level after Sir Roger's return to the United Kingdom.

HEALTH AND WELFARE

REPORTED NEW TREATMENT FOR DRUG ADDICTS

On the orders of the day:

Mr. Harold E. Winch (Vancouver East): I should like to direct a question to the Minister of National Health and Welfare. Has the attention of the minister's department been drawn to a report in the Vancouver *Province* of June 24, 1961, that success has been achieved in treating drug addicts of between two and 28 years' addiction with a natural substance known as DPN (diphosphopyridine) which has been reported by researcher Dr. Paul O'Hallaren in the United States. If so, is this new development being closely followed in view of the serious drug addiction problem in Canada?

Hon. J. W. Monteith (Minister of National Health and Welfare): I wish to thank the hon. member for having given me notice of his intention to ask this question. Some days ago the chief of the narcotic control division of my department first heard of the drug mentioned by the hon. member, and immediately wrote to Dr. O'Hallaren in Seattle asking for any information he might be prepared to release covering his research work.

This substance has not been prepared or used in Canada to my knowledge, and I have asked that all possible information on its apparent value be obtained. It would seem that it is used to alleviate withdrawal symptoms when an addict is undergoing treatment for addiction to heroin.

UNEMPLOYMENT INSURANCE

SASKATOON—DISCONTINUANCE OF BENEFITS TO WESTEEL PRODUCTS EMPLOYEES

On the orders of the day:

Mr. Erhart Regier (Burnaby-Coquitlam): I should like to direct a question to the Minister of Labour. Would the minister explain to the house why employees of Westeel Products of Saskatoon have had their unemployment insurance benefits discontinued even though neither a strike nor a walkout exists; and will the minister take immediate action to bring about a new interpretation of the regulations in regard to this and other like cases.

Hon. Michael Starr (Minister of Labour): I wish to thank the hon. member for having given me notice of his intention to ask this question. I want to inform him that this matter was brought to my attention some two weeks ago by the steel workers union, and at that time I asked the commission to undertake an investigation.

I am informed by the unemployment insurance commission that certain personnel were laid off at Westeel and that the management gave, as a reason for the lay-off, "anticipating a strike". Under the circumstances, I am advised that the unemployment office at Saskatoon had no alternative but to disqualify these people.

This is a matter which is covered not by the regulations but by the act itself. Section 63(1) of the Unemployment Insurance Act reads as follows:

An insured person who has lost his employment by reason of a stoppage of work attributable to a

labour dispute at the factory, workshop or other premises at which he was employed, is disqualified from receiving benefit until

(a) a termination of the stoppage of work,

(b) he becomes bona fide employed elsewhere in the occupation that he usually follows, or

(c) he has become regularly engaged in some other occupation, whichever event first occurs.

In view of this I am informed that the officials had no alternative but to disqualify these people and that those laid off have been disqualified as of June 2.

Mr. Regier: I wonder if I might ask the minister whether he would look into the serious consequences of disqualifying people on grounds of an anticipated strike, and if he will consider introducing legislation to amend the act in this regard.

PAYMENTS TO PERSONS ATTENDING PRECENSUS SCHOOLS

On the orders of the day:

Hon. J. W. Pickersgill (Bonavista-Twillingate): I should like to ask the Minister of Labour whether persons who attended precensus schools in Toronto were paid for attending them by the unemployment insurance commission.

Hon. Michael Starr (Minister of Labour): Mr. Speaker, I am not aware of any such thing happening. I do not know where the hon. member gets his information.

Mr. Pickersgill: Mr. Speaker, I have information that a cheque was received by one of the persons attending such a course from Mr. R. W. Oliver, treasury officer, stating it was from the unemployment insurance commission. I wonder whether the minister would investigate.

FISHERIES

BRITISH COLUMBIA—CONSTRUCTION OF LABORATORY FOR SALMON COMMISSION

On the orders of the day:

Mr. Harold Hicks (Fraser Valley): Mr. Speaker, I wish to direct a question to the Minister of Fisheries. Is it a fact that the international salmon commission is building a laboratory at Cultus lake in the lower mainland area of British Columbia at a cost of $150,000?

Hon. J. A. MacLean (Minister of Fisheries): Mr. Speaker, I wish to thank the hon. member for having given me notice of his intention to ask this question. There is an item of $110,000 in the recently approved estimates of my department for construction of a research field station for the international Pacific salmon fisheries commission. This station is to be constructed at the lower end of Cultus lake for use by the commission in the study of fish behaviour, the effects of pollution, etc. Article VIII of the convention establishing the commission specifies that land acquired for use by the commission will be purchased by the country within whose territory it lies. This principle is being applied to construction of this station. On completion, however, the sharing of costs of operation will apply. The site has been acquired in co-operation with the Department of Public Works, and tenders for construction have been invited by this department.

Mr. McIlraith: The answer to the question is yes.

ST. JOHN'S, NFLD.—REPORTED DAMAGE FROM DUMPING OF DEBRIS

On the orders of the day:

Mr. J. R. Tucker (Trinity-Conception): Mr. Speaker, I should like to direct a question to the Minister of Public Works. Will the minister please advise the house whether he has received a petition from the St. John's local of the Newfoundland federation of fishermen protesting against construction companies working on the St. John's harbour development project dumping debris outside the narrows of St. John's, thereby causing damage to the fishermen's nets? If so, what action has been taken?

Hon. D. J. Walker (Minister of Public Works): I want to thank the hon. member for Trinity-Conception for giving me notice of this question. The answer is no.

NOVA SCOTIA—REQUEST FOR EXTENSION OF LOBSTER FISHING SEASON

On the orders of the day:

Mr. H. J. Robichaud (Gloucester): I should like to direct a question to the Minister of Fisheries. Can the minister advise the house whether he has received any representations asking for a further extension of the lobster season in district 7B after July 5 and, if so, what decision if any has been reached in this regard?

Hon. J. A. MacLean (Minister of Fisheries): Representations have been received requesting in some cases that the season be further extended and in other cases that it not be extended further. Up to date figures are now being compiled on the catch as of yesterday or the day before, I am not sure which. The catch has been heavy in the last few days, it would appear to be about a normal catch by July 5. No decision has yet been made, but I expect to be able to make a statement on the matter within the next day or two.

Mr. Russell H. MacEwan (Pictou): May I ask the Minister of Fisheries whether he has received a communication or telegram from the Northumberland fishermen's association representing fishermen from districts 7A and 7B, asking that the present lobster fishing season be not extended?

Mr. MacLean (Queens): Mr. Speaker, I have received a communication from this organization, but as to their request I would not want to say categorically at the moment which side of the argument they are on. However, I should be able to give the hon. member a definite reply tomorrow.

SINCLAIR REPORT—INQUIRY AS TO PUBLIC HEARINGS

On the orders of the day:

Mr. Erhart Regier (Burnaby-Coquitlam): I should like to ask the Minister of Fisheries this question. Is the government planning to hold public hearings in Vancouver on the recommendations on fishing to be found in Dr. Sinclair's report? If so, can the minister indicate how soon such hearings will be held?

Hon. J. A. MacLean (Minister of Fisheries): Mr. Speaker, I wish to thank the hon. member for giving me notice of his intention to ask this question. The department has now received comments on the Sinclair report from most of the interested groups in British Columbia. These comments are now being studied, and where necessary clarification of the views presented is being sought. A decision will be made as soon as possible with regard to the possibility of public hearings. If it is decided that public hearings would be advantageous, they will be held as soon as possible, but I would not want to forecast a date as to when they might take place.

GRAIN

ONTARIO WHEAT—INQUIRY AS TO DEDUCTIONS UNDER MARKETING ACT

On the orders of the day:

Hon. Paul Martin (Essex East): Mr. Speaker, may I ask the Minister of Agriculture if he is in a position to tell the house whether the federal government has agreed to take action providing for authorized deductions from Ontario wheat farmers under the Agricultural Products Marketing Act?

Hon. Alvin Hamilton (Minister of Agriculture): Mr. Speaker, I think the hon. gentleman is referring to the fact that application has been made for the extension of the powers of the Agricultural Products Marketing Act.

Mr. Martin (Essex East): That is right, with regard to authorized deductions.

Mr. Hamilton (Qu'Appelle): Mr. Speaker, in that connection I can say only this. That matter is under review, and if any announcement is to be made it will be made in due course.

Mr. Martin (Essex East): May I ask another somewhat related question, Mr. Speaker. In view of the lateness of the season and the fact that July 1 marks the official and traditional recognition of Ontario farmers with regard to the growing of wheat, will the minister before that date announce the price with regard to Ontario grown wheat?

Mr. Hamilton (Qu'Appelle): Mr. Speaker, last year the price was announced on July 22.

Mr. Martin (Essex East): Too late.

Mr. Hamilton (Qu'Appelle): The crop year ended on June 20 as the hon. member knows. Several products under the Agricultural Prices Stabilization Act are before the government for consideration at the present time, and I hope to make an announcement within the next few days.

AGRICULTURE

SOYBEANS—INQUIRY AS TO SUPPORT PRICE

On the orders of the day:

Hon. Paul Martin (Essex East): A further supplementary question, Mr. Speaker. With regard to Ontario farmers, when may we expect an announcement concerning a floor price on soybeans?

Hon. Alvin Hamilton (Minister of Agriculture): Mr. Speaker, this is one of the several products now before the government for consideration.

REQUEST FOR REPORT ON CROP CONDITIONS IN WESTERN CANADA

On the orders of the day:

Mr. Jack McIntosh (Swift Current-Maple Creek): Mr. Speaker, I should like to address a question to the Prime Minister. In view of his recent trip to the prairies, can he give the house a report on crop conditions as of yesterday and the day before?

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, I was in Saskatchewan yesterday and the night before last I was in Winnipeg. Generally speaking the situation is one of grave seriousness in respect to the cattle fodder situation. Every endeavour will be made to meet the problem. In the course of a conversation with an outstanding leader in western Canada I was told that in the province of Manitoba, for instance, even with the fullest fodder assistance being given many cattle will have to be sold.

The situation in eastern Saskatchewan is also a repetition of those days in the past when drought struck the prairies.

With respect to the situation in Alberta, I think possibly tomorrow the Minister of Agriculture will be able to give a general outline of the position there and in the various parts of the western provinces. Suffice it to say the western farmer now faces one of those problems which exercise the hearts of men.

SHIPPING

CORNWALL—INQUIRY AS TO ADDRESSES OF PILOTS

On the orders of the day:

Mr. Grant Campbell (Stormont): Mr. Speaker, may I direct a question to the Minister of Transport and ask how many of the 24 pilots in the Montreal-Cornwall division and the 32 pilots in the Cornwall-Kingston division have given their address as Cornwall.

Hon. Leon Balcer (Minister of Transport): Mr. Speaker—

Mr. Pickersgill: On a point of order, Mr. Speaker, I suggest that the information asked for by the hon. gentleman is statistical information of a kind Your Honour has ruled out of order repeatedly.

Mr. Speaker: It is that kind of information but if the hon. member has given notice and the minister is in a position to answer, I will allow the question.

Mr. Balcer: Mr. Speaker, the hon. member has given me notice. I hope that all hon. members of the opposition paid close attention to what my hon. friend said. The answer is 7 in the Cornwall-Kingston division and none in the Montreal-Cornwall division.

Mr. Campbell (Stormont): May I ask one supplementary, Mr. Speaker. Is there any way of determining whether the 7 pilots referred to have only temporary summer addresses in Cornwall?

Mr. Balcer: No, Mr. Speaker.

BRITISH COLUMBIA—HIRING OF GUARDS BY DRYDOCK COMPANY

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I wish to address a question to the Minister of Transport. My question is based on correspondence from persons interested in the welfare of labour on the Pacific coast.

Mr. Brunsden: And telephone calls.

Mr. Herridge: In view of the minister's announcement of the provision of substantial government subsidies to the shipping industry, and in view of the fact that it would be improper for public funds to be used to subsidize companies considered by organized labour to be anti-union or anti-labour, would the minister inform the house whether he has received any protests with respect to the hiring of guards from the United States-owned and controlled Pinkertons of Canada at the north shore Burrard drydock, particularly during the construction or repair of government subsidized shipping?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, I do not recall receiving any representations about this matter. However, I will check my files.

NATIONAL REVENUE

MONTREAL—VISIT BY INSPECTOR TO JEAN TALON HOSPITAL

On the orders of the day:

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, I should like to ask the Acting Minister of National Revenue whether he has yet been able to find out from the department whether an inspector from the department visited the Jean Talon hospital to make an investigation and, if so, whether the department is in possession of a report from the inspector.

Hon. J. W. Monteith (Acting Minister of National Revenue): Mr. Speaker, an inspector of the department did visit the Jean Talon hospital just as inspectors of the department visit many other businesses during the course of their duties.

Mr. Pickersgill: May I ask the hon. gentleman a supplementary question. Has the minister's temporary department taken note of and is it making a special effort to speed up its investigations into the various revelations before certain royal commissions in the province of Quebec with a view to collecting income tax?

Some hon. Members: Oh, oh.

Mr. Pickersgill: Is the minister not going to answer?

Mr. Monteith (Perth): I have answered the same question many times. I would simply point out that it is not public policy to give statements which would indicate various matters involving income tax procedures.

Mr. Pickersgill: I would ask the minister whether he does not think an exception might be made in this case—

Some hon. Members: No.

Mr. Pickersgill: —as was done by the Minister of Labour when he wished to defame a certain unemployed person.

INDUSTRY

INQUIRY AS TO ACTION ON ROYAL COMMISSION REPORT

On the orders of the day:

Hon. Paul Martin (Essex East): In view of the possible adjournment of the house within the next 30 days may I ask the Minister of Finance whether he can give any indication when he will be prepared to act or not act on the recommendations of the Bladen royal commission? For instance, is there a possibility of the government acting on this matter in September, if we come back?

Hon. Donald M. Fleming (Minister of Finance): Whenever it becomes a matter of government policy to make recommendations to the house in regard to this subject, of course the house will be made acquainted with the government proposals. I dealt with the subject in the budget speech, Mr. Speaker, inviting the house to take action in certain regards and pointing out that certain other recommendations of the Bladen royal commission will be the subject of discussion on the part of interested groups in the course of time. Beyond that, I think the hon. member must be aware that the budget has been put before the house and that we are asking for action on its proposals.

Mr. Martin (Essex East): I shall deal with that this afternoon.

Mr. Fleming (Eglinton): That will be something to look forward to, I am sure.

PUBLICATIONS

ROYAL COMMISSION REPORT—CONSULTATIONS WITH U.S. GOVERNMENT

On the orders of the day:

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, I should like to ask the Prime Minister if he can give the house any information on the consultations which are now taking place with the United States government in regard to the recommendations of the O'Leary commission report.

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, for many years the hon. gentleman occupied the position of secretary of state for external affairs and he realizes, of course, that any discussions that are continuing are not placed before parliament during the progress of the discussions.

Mr. Pearson: Yes, I realize that, but I wondered whether the Prime Minister could give us an indication whether these discussions will be concluded in time for action this session on the recommendations of that report.

Mr. Diefenbaker: Mr. Speaker, I have long since ceased to have any ideas as to how long this session is going to continue.

BUSINESS OF THE HOUSE

REQUEST FOR RESTORATION OF QUESTIONS TO ORDER PAPER

On the orders of the day:

Mr. Frank Howard (Skeena): Mr. Speaker, I should like to raise a matter with respect to two questions which stood in my name on yesterday's order paper but do not appear on today's. I refer to questions Nos. 238 and 239, which sought specific information about subventions and loans to incorporated companies other than crown corporations and which were phrased in such a way as to ask for such information from each department.

As shown on page 7224 of *Hansard* for yesterday, answers were filed to these two questions by the Minister of Agriculture and the answer given in each case was "nil". I think an error has been made in assuming that the questions had been completely answered, and as a result they were inadvertently dropped from the order paper. I would ask that questions 238 and 239 be restored to the order paper in order that each department may answer these questions, as was originally requested.

I say that this was perhaps done in error. Question No. 238 reads in part as follows:

> Since January 1, 1950, have any subventions been paid to any incorporated companies other than crown corporations?

The answer given by the Minister of Agriculture was "nil", yet we know that such subventions are paid, for instance, by the Canadian maritime commission to Northland Navigation Company on the west coast. I submit that the answer of the Minister of Agriculture can only apply to his department, and that the question should not be taken as having been completely answered. My request is that questions 238 and 239 be restored to the order paper in order that they may be answered fully.

Mr. Speaker: If the hon. member has reason to be dissatisfied with the answers he is at liberty to restore the questions to the order paper, or I take it that he is at liberty at the appropriate time to complain about the insufficiency or inaccuracy of the answer. I am not sure that the hon. member is correct

in asking the Chair to restore questions because he regards the answers as insufficient. It seems to me there are other remedies. However, I shall consider the matter.

AIR TRANSPORT

RENEGOTIATION OF U.S.-CANADA BILATERAL AGREEMENT

On the orders of the day:

Mr. W. H. McMillan (Welland): I should like to direct a question to the Minister of Transport and ask him whether he has anything further to report on the meetings in Washington concerning the application of Canadian air lines for further air routes into the United States?

Hon. Leon Balcer (Minister of Transport): I have nothing to report at the moment, Mr. Speaker.

NORTHERN AFFAIRS

RESOURCES FOR TOMORROW—PARTICIPATION IN CONFERENCE BY HOMER STEVENS

On the orders of the day:

Hon. J. W. Pickersgill (Bonavista-Twillingate): I should like to ask the Minister of Northern Affairs and National Resources whether it is correct that Mr. Homer Stevens, the communist secretary of the fishermen's union in British Columbia, has been invited to participate in one of the panels of the national conference on resources for tomorrow, and whether this is the same Mr. Stevens who attended the preliminary conference in Montreal last fall.

Hon. W. G. Dinsdale (Minister of Northern Affairs and National Resources): Mr. Speaker, this matter has not come to my attention. I shall investigate and bring in an answer to the hon. member.

POST OFFICE DEPARTMENT

ALLOWANCE TO POSTAL EMPLOYEES WORKING ON JULY 1

On the orders of the day:

Mr. Arnold Peters (Timiskaming): I should like to direct a question to the Postmaster General. Is it true that postal employees will be celebrating Dominion day this year as a statutory holiday without pay? And is it true that those postal employees required to work will not receive double time as is the recognized practice?

Mr. Speaker: Order. I think the hon. member will find the answer to his question if he looks back in *Hansard*. The matter was thoroughly dealt with a day or two ago.

[Mr. Speaker.]

HANDLING OF U.S. PUBLICATIONS REMAILED IN CANADA

On the orders of the day:

Mr. D. M. Fisher (Port Arthur): I should like to ask the Postmaster General a question. In view of the United States postal rate increase to 8 cents a pound for United States periodicals mailed to Canada, effective July 1, has the Canadian post office made preparations to handle a huge increase in remailing of United States periodicals in Canada which will take advantage of the much lower Canadian rate on such material?

Hon. W. M. Hamilton (Postmaster General): Mr. Speaker, we do not anticipate any huge increase. The substantial difference in rates will exist only for one month, since our new rate goes into effect on August 1, and it is not the custom for a publisher to make extensive changes in the way of handling his material for one month only.

I might point out that the reason our rate is underneath the United States rate is to compensate for the cost to the publisher of trucking or carrying this material from the United States to the Canadian point where it is placed in the mails. It is of very great interest and benefit to us to have this material placed in the mails in Canada, because if it is placed in the mails in the United States we are obliged to handle it anyway and we get no revenue whatsoever. We therefore established a rate which, together with the cost of transportation, is approximately equivalent to the United States rate thus getting as much revenue as possible.

COMBINES

RAW FISH—INQUIRY AS TO ACTIVITIES OF COMMISSION

On the orders of the day:

Mr. Frank Howard (Skeena): I should like to ask the Minister of Justice whether he is able to indicate to the house the activities of the restrictive trade practices commission as of this date with respect to hearings into the production, sale and distribution of raw fish, and whether there are still some court decisions that are barring those hearings.

Hon. E. D. Fulton (Minister of Justice): Yes, Mr. Speaker. I am sorry I am not able to give my hon. friend the details as to the position with regard to injunctions, but there are still several injunction applications outstanding which make it impossible for the commission to proceed.

OLD AGE SECURITY

REPORT OF DR. CLARK—INQUIRY AS TO GOVERNMENT STUDY

On the orders of the day:

Hon. Paul Martin (Essex East): May I ask the Minister of National Health and Welfare if, before adjournment, he could tell us whether he has been able to complete his study of the Clark report. If so, can he tell us when we may except an announcement of government policy pursuant to the assurances given by the Prime Minister in January of 1958?

Hon. J. W. Monteith (Minister of National Health and Welfare): If the hon. member had been in the house last Saturday during the discussion of my estimates I am sure he would have been in a position to have my views.

Mr. Martin (Essex East): Perhaps the minister would ask the Prime Minister why I was not in the house on the day his estimates were introduced in this chamber.

Mr. Diefenbaker: Simply because the hon. member wanted to go home.

THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

The house resumed, from Wednesday, June 28, consideration of the motion of Hon. Donald M. Fleming (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

Mr. G. J. McIlraith (Ottawa West): Mr. Speaker, the Minister of Finance took two hours and 40 minutes to deliver his budget speech, and some 37 or 38 minutes yesterday to deliver a further speech on it. Of that fact I have no complaint whatever. I think it was quite proper—

Mr. Fleming (Eglinton): Thirty two minutes, to be exact.

Mr. McIlraith: In any event, I think it was quite proper for the minister to do so. The point I wish to make is that I find it somewhat difficult, in the 30 minutes allowed to a private member, to deal thoroughly or adequately with the budget speech. I think the present budget is of such significance to the country that it deserves thorough and analytical examination rather than the shorter, somewhat abrupt treatment that may be given to certain points of it because of the requirement of completing my remarks within 30 minutes. To me it is a matter of regret

that as a private member I do not have more time in which to deal with it as I should like to do.

This budget undoubtedly is significant to the economy of this country. It is of very real significance to the economy of this country this year, and I think a great many of its points have very dangerous implications and are of harmful significance. I should like to be able to analyse my reasons for making that statement in a somewhat more careful way than I will be able to do. Because of the time limit it is going to be necessary to leave out reference to many points I should like to discuss, and it also will be impossible to make a proper analysis of some of the points with which I will try to deal.

There is one thing I should like to point out to the minister before launching into a general discussion of the budget. That is that yesterday in his remarks he made the point that since the budget was delivered the financial markets of this country are stronger than they were before the budget was introduced. The term he used was "the financial markets". I point out to the minister that just last night's newspapers that were on so many desks at the very time he was making that statement, as was pointed out to me at the time—I did not interrupt the minister because I did not wish to consume any of his time—were to the very opposite effect. The Canadian Press story in the Ottawa *Journal* of yesterday evening was headed "Toronto stocks move downhill". That was supported by a subsidiary story on the Montreal market. The *Citizen* had a story to the same effect.

Mr. Fleming (Eglinton): That was the one day.

Mr. McIlraith: No; the story goes on to say "—continued the downhill move". I could read the lengthy story but I do not want to digress. It refers to the continuing downhill movement in stocks.

Mr. Fleming (Eglinton): Mr. Speaker, I think the hon. member will agree that I was speaking of bond values and the effect on interest yields.

Mr. McIlraith: That is the point I wish to make. I trust the minister will bear with me. I tried to be courteous yesterday and not interrupt him because his time was limited. I will try to make my points as clearly as I can. The Montreal *Gazette* has the same type of story in this morning's issue headed "Market dips again". That is followed by a story headed "Bonds easier". I think what the minister was seeking to deal with was the bond market only and not the financial market generally. I want to point that out

because the other statement is much too wide, as I think an analysis will bear out.

It seemed to me that the budget did not generally represent a well integrated document or program for the economy of this country for the coming year. It seemed to me to be rather a collection, indeed it could probably be called a conglomeration, of contradictory objectives. It is with some of those contradictions that I wish to deal today.

There was one interesting fact that came out of the minister's presentation. It was the rather startling revelation that the budget had not been prepared in conjunction or with the benefit of discussions with the governor of the Bank of Canada. I do not want to digress into a debate on that matter because there is a bill before the house and it can be discussed fully on another occasion. However I do want to point out that this lack of co-ordination of policies and of the benefit of the experience of that institution is very apparent in this budget. Indeed, from the minister's statement it is apparent that there had been a lack of co-operation and co-ordination of the Minister of Finance and his department with the Bank of Canada. That, to me, explains many of the inconsistent policies which the minister has revealed in the previous four budgets, and particularly in this one.

I for one got the impression from the minister's statement on that point in his budget speech, and again from his preoccupation last night with the governor of the Bank as opposed to budget matters which had been debated here, that he had been nurturing a grudge. Whether or not he is well justified is another matter which can be debated on the other bill. The point is that the Minister of Finance must assume the responsibility for not attempting to resolve the problem directly. That part of it must surely belong and rest squarely on the minister's shoulders. If the situation was as the minister described it—and those facts have not all been proven yet; they are the subject of controversy—surely the minister owed an obligation to this country to seek to reconcile the governor to his point of view during these last four years.

It is clear from the minister's own words that he was not doing that; and it is clear that had he followed that proper course and the reconciliation could not have been effected, the governor would have had no option but to resign. But to come forward and have the country suffer because the Minister of Finance, for reasons of his own, did not seek to reconcile the governor of the bank to his views in these matters is something that has sad consequences for the country, and those consequences are reflected in the budget itself.

Mr. Speaker, there are a number of specific comments I wish to make on different aspects of the budget. I think by far the most inadequate portion of the minister's budget speech was the part devoted to international trade and international commercial policies. The minister, it seemed to me, did not develop that subject in the way that was his obligation in the circumstances this country is in at this time with relation to the international trade field. The speech contained no evidence at any point to show that the government realizes the urgency which is required on the part of this country to deal with the revolutionary changes that are taking place today in the field of international trade.

The wording of the speech was so similar to earlier speeches that one would think there had been no changes in that field since 1958. As a matter of fact I compared the objectives in that field which the minister expressed in his 1958 budget speech—those objectives will be found at page 1236 of *Hansard* of 1958—with the objectives given by the minister in his budget speech of this year, to be found at page 6650 of *Hansard*. It is rather interesting to find what that comparison shows. In 1958 the minister stated five objectives. In 1961 he lists only three. Upon close reading I discover that the 1961 objectives are in part a summary of the 1958 objectives, but there is one significant difference. I want to point out this significant difference and ask the minister to deal with it at an appropriate stage. I wish to quote two parts of these objectives to point out the difference. In 1958 objective No. 3 read:

> To support and promote a regime of law, order and morality in the field of international trade; to respect the spirit and intent of international commitments; and to stand ready to defend our rights and interests if they are challenged or ignored;

In the 1961 budget the same objective reads as follows:

> To support and promote a regime of law and order in international trade; to respect our international commitments; and to stand ready to defend our rights and interest.

I wish to point out to hon. members that there are several important differences. I do not intend to make any point of the fact that the minister apparently no longer wishes to support the promotion of a regime of morality in international trade. Of much greater importance, I think, is this point, which I think should be underlined and dealt with by the government on an appropriate occasion. The government apparently no longer intends to

respect the spirit as well as the written content of our international commitments. Perhaps it was an error in drafting; I do not know. If it was, I point out to the government that it is a very substantial error, one which the minister must clarify and one with which he should deal on an appropriate occasion at greater length and with greater care than I am able to deal with it today.

Mr. Fleming (Eglinton): I could deal with it now if the hon. member wished. It would only take a moment.

Mr. McIlraith: The minister will surely bear with me. He had ample time in which to deliver his speech, and the house did extend him courtesy in that respect. After all, under our system of government we do discuss and debate these things. I am trying to be strictly relevant to the subject and deal with it as best I can, and surely the minister can abide by the usual rules of conduct in this house.

The minister made much of the use of the exchange fund in dealing with the balance of payments problem and the exchange rate. I point out to him that his remarks in this respect were extremely imprecise. I shall deal further with this matter later. The minister was going to lower the value of the Canadian dollar to an indefinite, unspecified level, and it seems to me that this is contrary to the spirit of the international monetary fund. This is an international agreement which Canada has assumed and which, indeed, we have always been meticulously careful to honour.

It seems to me there is a danger in the failure of the government to speak of the spirit of international commitments for the very good reason that we may be interpreted as not being prepared to live up to the spirit of our commitments in this connection. Indeed, there was a question asked by my colleague from Kenora-Rainy River about what consultations there had been on this point, and the answer was not very clear. Perhaps I can leave that point there. I hope the minister will deal with it fully on an appropriate occasion, because it could have important international implications particularly since our reputation in this field generally has been good, and one of which Canadians are proud.

Before elaborating on this question of international trade I should like to say one thing. It seems to me to be basic that before deciding on any policy there must be a clear analysis of the problem. This step must underlie any successful policy. To act on any other basis or to act on the basis of an inadequate analysis means that the policy itself will be erroneous and inadequate. I believe the minister would agree with me in this respect.

The point I wish to emphasize in relation to this field of international trade is that it seems to me the minister has failed altogether to appreciate the underlying problem. He has failed to make a competent or thorough analysis of the situation. He has failed to pay sufficient attention to the trend toward regional blocs, a trend which may, in many respects, be outside our control, but which nevertheless should not simply be ignored for that reason. There can be no adequate policy developed for Canada unless there is a recognition of what is going on.

I could elaborate a great deal, but it seems to me that in his budget the hon. gentleman has failed to take into account the developments taking place in connection with the European common market. He has failed to recognize the progressive and continuous movement of the outer seven into closer relationship with the European common market group. The minister will have noticed further news items on this very point in today's press. It seems to me that in dealing with our relationship to Great Britain the hon. gentleman has not adapted his mind to the fact that Britain may very well seek to move into the common market. I am not proposing to debate at this time whether she should or should not do so, because that is a matter which will be determined by the United Kingdom and it is not my intention to encroach upon decisions which must remain hers, but we have a very close interest in the subject. The minister's attitude has been in the nature of threats of retaliatory action if they take such a step.

Mr. Fleming (Eglinton): Never.

Mr. McIlraith: My views on this subject were advanced in an earlier debate on April 24 and 25, on one of the supply motions. Perhaps I could leave them now without further elaboration. But there must surely be in this country a greater appreciation of these developments which are taking place, and an attempt to bring ourselves into a better relationship with the facts as they exist. This may involve our having to make some changes.

The minister made no reference at all to the Latin American free trade area which came into effect a few weeks ago. The whole subject is dealt with in the Montevideo treaty. That is something which should be acknowledged and it must be considered when policy is set for the future of this country. It is true that our dollar trade in that area last year was relatively small. I think our exports last year were of the order of $100 million. But

the potential there is something which cannot be ignored, and this is certainly a bloc with a very large population. There is every indication that there may be a rapidly developing economy in that area.

It seems to me the minister's policy approach in this direction is completely inadequate. The hon. gentleman has ignored the situation. Indeed, in an earlier debate on the subject of trade I accused him of making speeches which were of a threatening nature, and I sought on that occasion to quote many items in support of my assertion. It seems to me that the same weakness is in his budget speech. It is not satisfactory, and for my part I think there must be a complete new examination and a movement forward to a more constructive position in our own self interest.

We have put forward a program. My leader did it particularly well in the debate to which I have referred and on several other occasions, so perhaps I need not restate the principles which we believe should be asserted in bringing ourselves into better alignment with these trade movements which are coming about in Europe. If we fail to do this, then the unemployment problem, which is a very real problem in Canada, will not be solved. It seems to me that the government has taken no step toward the solution of our trade difficulties in this respect.

Now I wish to turn to another subject, namely the minister's reference in his budget speech to the adjustment of the exchange rate. The minister proposes to use the exchange fund to add substantial amounts to its holdings of United States dollars through purchases in the exchange market. I wish to quote the minister precisely on that point. In dealing with the subject he said "It may well be appropriate for it"—that is, the exchange rate—"to move to a significant discount". That was the language he used. Then in a totally inadequate way he made the bald assertion that the decline in the exchange rate would mean modest price advances. In another place he said the price advances would be minimal. I believe those were the minister's exact words.

In his remarks yesterday the hon. gentleman sought to deal with the Liberal position on this issue. I think he did himself a great injustice in the quotations he used, because if he had taken the trouble to closely examine those quotations he would have seen they were dealing with the artificially high exchange rate in an attempt to reduce it from an artificially high level. I think all hon. members will agree that the balance of payments problem has been and is a very real one in Canada, and that our high exchange rate should be reduced; but that is not what the minister said in his budget speech. He did not take that line at all. He said that it may well be appropriate for it to move to a significant discount.

Hon. members will notice the looseness of language. The minister referred to "a significant discount", but did not say what was a significant discount. Did he have reference to the Canadian dollar being below the value of the United States dollar by the former rate of 20 per cent? Did he mean 10 per cent, 5 per cent, 2 per cent or 1 per cent? That kind of imprecision is not good enough for a minister of finance in dealing with this difficult and important subject. That kind of handling of this subject may have very serious effects on the economy of this country. The minister did not deal with this problem in a well integrated way.

The minister went on to say he was going to use the exchange fund, which I understand has about $1.8 billion or more of United States dollars. That is to say, the Canadian taxpayers have about that amount of United States dollars held in that account. Is he going to add to it? What amount will he add? What are the financial implications of that part of his speech? Did he take the financial implications into account in fixing his estimate of the deficit for this year? What is the minister's attitude on that? Nothing was said. Is it any wonder that there is uneasiness in the financial markets of this country? Is it any wonder that there is in those markets criticism of the minister's imprecision?

It is quite true that bringing down the Canadian dollar from its high level will give an admitted temporary advantage to our export industries. I think anyone would agree that that is desirable. I am sure there is no quarrel with that. But that desirable effect must be weighed against the consequences of what the minister has done in this budget by his attempt to bring down the exchange rate to an undefined significant discount. You will notice he is using the phrase "significant discount", and you take your choice as to what it means. The consequences of doing so may be very adverse to this country. It is that kind of looseness on the part of the minister in dealing with this important subject that caused me at the opening of my remarks to deplore the lack of a well integrated statement on the part of the minister, and the lack of the benefit of the experience of the Bank of Canada in the preparation of the budget.

Let me point out some of the adverse things that must be taken into consideration if the minister succeeds in bringing down the dollar, not to par but to a significant discount. Undoubtedly our cost of living will

increase. I was rather shocked that the minister should have dismissed that subject so lightly. It is rather elementary. If you take the volume of imports to this country and consider that some are consumer goods, some are raw materials and some are semi-finished materials going into production, it means an increase in the cost of living. There was no assessment of that counterbalancing problem on the part of the minister. There was no attempt on his part to exercise the judgment and care that should be exercised on this subject so the problem could be dealt with in a way that would not have led to our backing into a worse and more destructive problem.

We must remember that this cost of living increase is coming at a time when the Ontario provincial government is placing a tax of 3 per cent on the sale of practically all goods. When one bears in mind the importance of Ontario to the economy of Canada in terms of population, productive capacity and so on, one can readily see how significant the cost of living increase may be this year at a time when we have a high level of unemployment and much unused capacity. The minister has not dealt with that in a thorough way in his budget.

The minister said he was going to reduce interest rates. That was an interesting statement to come from the minister who did so much to start the increase in interest rates, especially as a result of his mishandling of the conversion loan of 1958. First the interest rates were forced up as a result of his mishandling of that loan. He forced municipal borrowers and many corporate borrowers to go to the United States for their borrowings. If the minister succeeds in achieving a significant discount on our dollar he will force the municipal borrowers to pay a premium on their interest charges in the United States after having initially created the problem for them. He will place an added burden on the municipalities and corporations.

What is the minister's analysis of that problem in his budget speech? I simply do not find it. He simply said he is going to reduce interest charges. He did not tell us what impact his billion dollar borrowings this year would have on interest rates. Can one be blamed for suspecting that the implication of that is that it will tend to increase interest rates rather than lower them? I may be naive, but I thought the federal government going into the markets of this country and borrowing a billion dollars this year would lessen the money available for investment in corporation, municipal and provincial securities, and that it would have created considerable pressure to raise interest rates. But, no; the minister did not see fit to deal with that problem at all.

Mr. Pickersgill: The hon. gentleman is going to use the printing presses.

Mr. McIlraith: Unfortunately that is what I am beginning to suspect. In any event, let me deal with another aspect of it.

The minister is concerned about that problem also. If he is truly concerned, why did he not in his budget deal with the consequences of bringing down the value of the Canadian dollar from its artificially high level not to par but to a significant discount? What effect will that have on United States investment in Canada? It will mean that investment in Canada will be more enticing to United States investors because with $100 of United States money American investors can purchase a larger share of ownership and more securities than they could purchase before the exchange rate was brought down to this significant discount. That is a problem that should be carefully analysed, and I regret that time does not permit me to do so. The minister has not dealt with these things which are inherent in this budget. These are the inconsistencies that show up in the budget.

I wanted to speak about one other thing. The minister said yesterday that we had not put forward positive recommendations. We have put forward positive recommendations as to what should be done to get us out of the economic difficulty in which we find ourselves. We put forward many matters that are strictly budgetary, on April 25 at page 3985 of *Hansard* and on May 3 at page 3402.

Mr. Deputy Speaker: Order. I am sorry to interrupt the hon. member, but his time has expired.

Mr. McIlraith: Those recommendations have been supported by other speakers, and notably by the chairman of the national productivity council.

Hon. J. M. Macdonnell (Greenwood): Mr. Speaker, I am glad to have a chance to speak briefly in this budget debate for two reasons. First of all, no one will deny that it is an important budget. One has only to look at the things pending in the world, so to speak, such as Britain's trading relation with Europe, our own attitude toward the organization of American states, and the question of aid to underdeveloped countries, as well as other problems. That is one reason I am glad to speak. The other is that I am glad to be speaking because I have an old relationship and friendship with the Minister of Finance and if I can do anything, however small, to help him on his way I am glad to do it. He

and I shared a room here for four years. Of course many hon. members will sympathize with both of us for that reason, but we managed to come through it pretty well unscathed.

In my opinion the minister has been very realistic in what he has said, and I want to try to act in the same way. I am not going to deal with the points he dealt with yesterday, the questions of exchange, the deficit, the interest rate, particularly vis-à-vis the opposition, because I think he handled them adequately. I want to say just one word about what the hon. member for Ottawa West has been saying, namely the suggestion that the minister had not been sufficiently concerned with external trade, but that somehow that was being neglected. In that connection I suggest that the Minister of Finance and the Minister of Trade and Commerce have really beaten a path to all kinds of discussions of this broad and important question, both in Europe and in the United States. I feel that any suggestion that it is being ignored or dealt with carelessly just does not click.

My anxiety today is to try to sense public opinion particularly as indicated by the press. In doing that it is useful to see what the enemy is saying. I have looked at those newspapers which we usually find taking the other side. Naturally I went first of all to the Winnipeg *Free Press*. One can always be sure that in the case of the Winnipeg *Free Press*, to adopt the words they used to use in the air force, we will get "loud and clear" expression of what they have to say, particularly in that left-hand column with which we are all so familiar. I was not disappointed. I found a couple of typical phrases. I imagine these phrases are probably in what I could call the cliche morgue. We know there is a morgue for photographs. They have them on hand when people die, and I imagine there is a morgue for cliches as well, and in a sense you pick them out perhaps with the help of a card index.

I found a couple of the usual things. First of all I found that the budget was motivated by "desperation and political expediency" and that "the government had decided to exert open and partisan political influence over the economy". Well, there you are. That is exactly what you would expect, and one would be disappointed if the Winnipeg *Free Press* did not come up with something like that. My feeling about that is that it can be answered in the words of the English yokel who was insulted by one of his friends. He passed it off by saying "It pleases he and it don't hurt I". I feel that is the attitude one can take toward that indomitable left-hand column of the Winnipeg *Free Press*.

[Mr. Macdonnell.]

However, there was a contributed editorial by one signing himself "M.W.". It was not in the sacred left-hand column, it was in the middle. I was really quite astonished because common sense seemed to creep in there, and some things were said which I thought the writer would hardly dare to say. Let me quote just a few words. He said:

> The budget offers various new incentives to Canadian industry to undertake re-equipment, modernization of plant and greater research activity in Canada. These are important but like many of the other changes too detailed for consideration here.

It struck me that that was rather typical. When you come to good things they are "too detailed"; the good things done by this government are too detailed for much consideration in the Winnipeg *Free Press*.

I go back now to the left-hand column. We had, of course, the usual diatribe about high tariffs, entirely ignoring the loyalty which this government has shown to GATT and to the aims of increasing world trade. But again I say we must not take it too seriously. We must understand; we must realize that they just cannot help it, that they are born that way and these things have to be said. They are still living in the atmosphere of 1911, the time of the reciprocity campaign.

I come next to the Toronto *Star*, and really something happened that I would not have believed possible. I find myself sympathizing with the Toronto *Star*. I never thought I could do that. But when I found that in a short editorial they were forced to use words of approval of the Minister of Finance I said to myself these are new days. For the Toronto *Star* perhaps they are sad days, but they welcomed devaluation and lower interest rates. Of course they covered themselves by saying it was just their own idea which the Minister of Finance had copied. They went on to say that this should "stimulate business considerably".

Of course they had a complaint. The complaint was that the Minister of Finance is "not sure how far and how fast he must go". Well I am quite sure that the *Star*—and I apply this also to the hon. member for Ottawa West—does not have the idea that the minister is going now to give a lot of figures and tell us just exactly what is going to happen. That surely is not within the realm of common sense. No sane man would suggest that. It has to depend on the march of events, and the minister put it extremely well. He said "Our objective is to achieve an exchange rate which will contribute to a better balance in our current account position." That is common sense, and no common sense man would want to do more than that.

I come for a moment to the *Globe and Mail*, which in my opinion bravely tries to steer a middle course between the respective traditions of its progenitors, the Grit *Globe* and the Tory *Mail and Empire*. While they criticize the minister for failing to reduce taxes, they have some general words of approval which I would like to quote because they have some interesting implications. The *Globe and Mail* says:

> The public may have been led to expect a major fiscal miracle from Mr. Fleming because the other political parties have not hesitated to assert that, placed in power, they would engage in that kind of hocus-pocus. It should be remembered that these political aspirants base their promises upon two false premises. One, is that Canada is in a hopeless economic condition;—

That is the Liberals. I continue:

> —the other, is that the system which has given us the second highest level of prosperity in the world is a worthless system and ought to be scrapped.

I continue to quote from the *Globe and Mail*:

> Mr. Fleming approached his budget in the belief, which we share, that Canada is not a ruined country, although it is in difficulties. He justly pointed out that we still have vast natural resources and talent which can be put to constructive wealth creating use. Equally, he held to the belief that on the whole the system of free enterprise and free competition offers the best chance for our progress.

I have quoted that because the *Globe and Mail* has taken the position I want to take of applauding the minister because he has not believed in miracles but rather has believed in patience, detailed discussion of problems, and dealing with them one by one. As I said, the *Globe and Mail* did criticize the minister because he did not lower high taxes. My answer to that is that the minister was facing huge expenditures, largely inherited and resulting in a large deficit, and that he might well hesitate to increase this by further large decreases in taxation which might have an inflationary effect. That satisfies me and I think it would satisfy the ordinary sensible person.

I want to say a few words at this point about the course of economic events since the war. There is no mystery about what has been happening. We had a boom for more than ten years. I think the Hamilton *Spectator* described this period admirably when it said in its issue of June 21:

> In the post-war years when Canada had everything its own way, when a rebuilding Europe and a bursting economy at home had us in the seller's pulpit, with buyers at almost any price we cared to ask, the Liberal government of the day put up massive . . . spending levels.

I think that is true, and I do not know that I am saying it particularly critically. They had the revenue and they were tempted to spend it. At first we did not realize that this boom was coming after the war. We were very apprehensive that things might be very flat, and it is interesting to note that at that time, not realizing the boom that was coming, not realizing that the flames were going to be burning pretty brightly anyway, we fanned the flames in a quite substantial way by a loan of a billion and a quarter to Great Britain, which we approved. I made a speech in favour of it myself.

It is interesting to remember that the loan was put before the House of Commons by Mr. Ilsley, the minister of that day, really on the basis of two main arguments. The first was that Britain, who had borne the burden and heat of the day and had divested herself of many of her investments, was entitled to assistance if anyone ever was. Second, and just as important, he pointed out that this was in our own interests, that our external trade greatly needed to be built up, that Britain was unable to be a purchaser, and and that therefore it was highly in our own interests to make them advances so they could buy. It was really just like a wholesaler who assists an important customer who for the moment is broke. That was the argument which was made. That money was spent here and, as I say, it fanned the flames and, as the Hamilton *Spectator* said, we really had it all our own way. It would not have been human if we had not taken advantage of it but, mark you, it left a situation which we ought to look at very carefully and try to understand now.

A little later, of course, we had the Korean episode which again fanned the flames and incidentally, of course, at that time the cost of living was going up very rapidly. Between 1945 and 1952 the cost of living went up by about 50 per cent. In 1945 the consumer price index, on the basis of 1949 equalling 100, stood at 75 and in 1952 it was 116.5. It was inevitable that this should happen. I am not criticizing it particularly; I am just pointing out the situation. I want to try to be realistic as I think the minister was realistic. I think we have got serious problems and we ought to face them like serious men. We can never face them if we do not know what they are.

As I say, there is no mystery about what has happened since. That gorgeous period pretty well came to an end in 1955 or 1956. I say there is no mystery about what has happened since. The boom came to an end. One strange thing about booms is that people always think they are going to go on forever but they never do go on forever. The boom came to an end. It did not come to an

end with a terrific flop; it came to an end rather quietly. Things flattened out rather than having a tremendous fall.

At the same time two other terribly important things happened. The competition of western Europe came into the picture in a big way. We all know what that meant. Western Europe had been given a flying start by the Marshall plan. I was reading just last night about General Marshall and the Marshall plan. We owe a great deal to that very great man for the courage he showed. But what did it mean? It meant that western Europe had new machinery, new methods and, as I say, was given a flying start. More than that, and this is the thing we should all be registering in this country of ours, they not only had a healthy and skilled industrial class but in some way they managed to make the industrial class feel they were working for themselves. There was a better relationship between employer and employee. I fear we must admit that is so, and if it is true we should register it and seriously consider it. I fear it is true that they had and still have a better relationship, partly because of the laws, between employer and employee. These men realized, as I say, that they were working for themselves, and as a result western Europe has become a formidable competitor in the foreign trade market. This is something we cannot laugh off. One of the things I give the minister credit for is that he is telling us this faithfully and straightly and trying to make us realize that it depends on ourselves to pull up our socks, that it cannot all be done by government.

At the same time we should not forget that Japan has been revitalized and is a great competitor, as we know; that the communist countries, whenever it suits them, can sell at prices which have no relation to cost, and that the United States too is pulling up its socks. There is a danger, as the Minister of Trade and Commerce has warned people, that a softening process has gone on. The minister compared us to a boxer—he was once a boxer himself—who has gone soft and feels that there is no real reason for special effort. We have reached the stage now when there is a reason for special effort, and the minister has tried to impress that on us.

There is another thing which has happened which affects the situation and is a commonplace to us all, of course. I am referring now particularly to unemployment and the effect of automation. There is also the movement of people from the land to the cities resulting in a decline in the agricultural population. The bright lights are more attractive and, of course, new and improved farm machinery means that a machine can produce as much food as 20 or 30 men and such machines have taken the place of those who have left the farm.

There is one other thing I should like to mention in passing. There has been quite a lot of talk about a $2 billion deficit over four years. I should like to put on the record the figures as to increased expenditure since the government came into power, nearly all inherited. There has been a rise each year from 1957-58 to 1960-61 over the expenditure of the preceding year, and in the four years the total increase has been $2,719 million of added burdens that the minister has had to carry. It is not very surprising that there has been a deficit.

I said that I thought the minister had been realistic, and I should like to say briefly what I mean by that. He has resisted the idea that we can cure the situation by bookkeeping or by tariff tricks. The minister has refused showy and quick remedies. He seems to me like a man who is trying to build a solid structure and not a jerry-built affair which in a few years we might find cracking and letting us down. I think he has been courageous and wise in what he has done, and I believe that the course of events will prove the value of his decision.

He is not hesitating to accept new ideas, particularly in connection with the matter of exchange. Incidentally, in that connection it is fashionable now to suggest that the minister has changed his mind. All right. It is only people of stature who can change their minds. I like a quotation which I ran across the other day from Joseph Chamberlain, the father of Neville, who was a great figure 50 years ago. Somebody charged him once with having changed his mind. He said "Anyone is welcome to my discarded opinions". I think that is a very good comment on the idea that a man must never change his mind as circumstances change.

As I said a moment ago, the minister has not pretended that governments by tariff or bookkeeping tricks can deal wholly with the situation or bring the economy back to a satisfactory position. He has in plain terms left this burden where it belongs, namely on the energy, capacity and, if necessary, the sacrifice of Canadian citizens. Yes, that is what the President of the United States put up to the Americans, namely sacrifice if necessary. He has had no part in what the *Globe and Mail* calls hocus-pocus. He is helping people to help themselves.

Let us consider a few of the things which the *Free Press* did not have time to mention. First of all there is the substantial extension of the powers of the industrial development bank. That is an important matter. It can help

a great deal. It can help people who could not get credit previously. Its powers are being extended. There was a time when credit could be given by the bank only when it had been refused elsewhere.

Let us also consider other things which the *Free Press* had not time to mention. There are the tax incentives to stimulate scientific research; double depreciation, the 50 per cent increase in the rates of capital cost allowance applicable to new assets. These are only a few of the array of things which the budget brought in. What I like about them is that each one of them appears to me to be a sound contribution to assist the economy. They all seem to me to be things which have been investigated, studied and assessed having regard to the value they can be to the economy. The matter cannot be better put than in the way it was put by the minister in his speech. As found at page 6642 of *Hansard* he said this:

> I need not remind hon. members that there is no royal road, no magic which a minister of finance may invoke to achieve these goals. If there were easy solutions they would have been adopted long ago.

How true that statement is.

> Nor can these objectives be attained by federal government measures alone. In our free enterprise system we shall need self-discipline and the full co-operation of business, labour and all levels of government—indeed of all our people—if we are to succeed.

Those are the minister's words, and I do not think the matter could be better put. There is no hocus-pocus as the *Globe and Mail* said. There is no claim of magic power on the part of government. However, there is reference to self-discipline, co-operation, courage and caution. Surely this is the kind of language and the kind of action that serious people like ourselves are entitled to expect from the government.

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I listened with interest to the philosophical apologia given by our highly respected friend the hon. member for Greenwood. I was greatly interested to note that he recognized the international aspects of our economic problems. I think we all must recognize them. There are certain factors over which we have little or no control, and which make our problems more complicated and serious today than they have possibly ever been in world history.

The hon. member made some reference to the editorial writer of the *Free Press* sloughing over the details of some of the good things in the budget. While I do not blame the hon. gentleman for highlighting them to the best of his ability, may I say that possibly the editor on that ocasion failed to have a microscope with him.

The hon. member mentioned our vast resources in this country. We are not a finished or a poor people. I am sure no members of this house think Canada is in a state of ruin, particularly when we all realize that we have the vast resources mentioned by the hon. gentleman which can be developed over a period of many years. We also have a virile and industrious people who can apply their energy to the development of these resources. We in this group are also very much concerned with the fact that we have hundreds of thousands of working people in Canada who are anxious to have that opportunity.

The hon. gentleman also mentioned the afterwar boom period, and rightly so. One of the fundamental approaches that we take to economic problems is with regard to this continuing boom and bust in capitalist society. We think that the application of human intelligence and a spirit of co-operation can remedy the boom and bust society with its consequent insecurity for large numbers of good people.

The minister delivered what I think has been quite correctly termed his marathon speech with his usual Cromwellian stance and stentorian voice. I always watch the minister with great interest, and I give him full marks for his courage and bold front under economic adversity. I always admire a person who stands up for his convictions and defends what he believes to be the right course. However, I think it is quite fair to say it is obvious that he has changed his direction considerably since the last budget. There are many contradictions in the minister's statements and direction since 1957 which reflect—and I have some sympathy with the minister on this account—the vacillations and uncertainties of the capitalist system under which we live. In my opinion the budget is a sincere attempt on the part of the minister to rationalize the conflict between capitalist interests in Canada, the circumstances that prevail in the country and the politcal necessities of the party in power. I think without a doubt he has done his best to that end, and we give him full marks in that direction.

Mr. Speaker, we are the only group in this house that offers a completely alternative program to meet the necessities of our times.

An hon. Member: No.

Mr. Herridge: This group stands for the principles of democratic socialism as the only effective alternative to the present unplanned, chaotic, monopoly controlled economy. Before proceeding I wish to read a

quotation from a book I was reading recently by Norman Thomas entitled "A Socialist's Faith". I have a great respect for Norman Thomas. I have spoken with him on platforms and have discussed economic and social questions with him. I think he is a man of great character, conviction and intellect. As a sort of prelude to what I have to say later on I wish to read two paragraphs from his book dealing with this particular question of socialism versus capitalism:

> Sound democratic socialism will seek public ownership under democratic control of the commanding heights of the modern economic order. It is neither necessary nor desirable, so long as there is unity of purpose in the main direction of our economy, that there should be a monolithic type of ownership and control.

There is no need for that.

> There is a wholesome stimulus in competition, or emulation, and in diversity of functional apparatus.
>
> There is large room for private ownership when the owners are serving a useful function, provided that their ownership does not give them undue control over our social life. Public ownership need not be of one type. Generally speaking, the state should be the agency of ownership, and public corporations or authorities of somewhat various types its administrators. But there will be a large place for co-operatives, especially consumers' co-operatives, in the good society.

I read that quotation, Mr. Speaker, because I think it indicates very well the economic philosophy of this group which we have mentioned previously in the house on numerous occasions. It is the mixed economy or dual economy operated for the welfare of the people as a whole and not for the few.

The minister yesterday spoke with great confidence of the press reception of his budget. I think he was somewhat overconfident in that respect. I wish to make brief reference to certain Conservative newspapers which indicate that there is a difference of opinion as to the value of the present budget even amongst Conservative-minded publications. These differences of opinion found coming from Conservative-minded newspapers simply reflect the economic confusion in modern society.

An hon. Member: Nonsense.

Mr. Herridge: Mr. Speaker, an hon. gentleman is making some comments in isolation. But they do reflect the economic confusion. I am not blaming any individual. Our present circumstances are the result of a long period of development and evolution and on these occasions I do not believe in blaming individuals. The government of the day is doing its best according to its lights to administer capitalism under the circumstances. However, these various editorials do indicate the confused thinking in the minds of many editors across this country. I mention the *Financial Times* of June 23, which contains an article reading:

> The budget was not worth delay.
>
> The platitudinous preambles to the budget were undoubtedly spoken in Donald Fleming's voice but the words were those of the Prime Minister.
>
> This is clearly a government by fall guys.
>
> We would say that nobody really knows who is next in line for some sort of misery. But what matters at this moment is this budget.
>
> Was it worth being delayed from April till June? It was not.
>
> Is it an expansionist budget? Clearly not.
>
> Do its provisions offset the business uncertainties of the recent past? We cannot see how.

That is a Conservative paper. It is a Conservative editor commenting.

Mr. Fleming (Eglinton): No, it is not a Conservative paper.

Mr. Herridge: The *Financial Times,* of course, is published for persons interested in financial and business affairs in this country.

Mr. Fleming (Eglinton): No, I do not know how anybody could say it was a Conservative paper.

Mr. Herridge: I think it is fair to say, Mr. Speaker, that it is Conservative in the economic sense. Then we come to the Ottawa *Journal* of June 21. This is another Conservative-minded newspaper. They say, in brief:

> Mr. Fleming's spectacles may be too rosy, and he may be guilty of oversimplification, not to speak of pollyannaism. Only time will tell. What can be said, though, is that this is not the budget of a finance minister who is tired or afraid or unwilling to adventure, and least of all of a finance minister who is thinking of votes or just loves applause. Certainly there is no beckoning for votes, no drum roll of an election, in tax cuts—including a dropping of the 7½ per cent excise tax on passenger cars—amounting to only $65 million this year and $100 million over a full 12 months.

That editorial is not on the whole excited by the minister's budget. Then we come to the *Daily Gleaner* of Fredericton, New Brunswick. I am not sure of the political complexion of the *Gleaner.* The editorial is not highly critical, but in the last paragraph it says:

> The budget contains no indication that any special steps will be taken in aid of this area of Canada.

To that extent I presume it is somewhat critical.

Mr. Fleming (Eglinton): It overlooked completely the enlargement of the Atlantic provinces adjustment grants.

Mr. Herridge: I am just quoting this editor's opinion. Then we come to the Ottawa *Citizen* of June 21:

Mr. Fleming's gamble

Mr. Fleming's past performances as a prognosticator being what they are, it is difficult to feel anything but the most profound uneasiness as he offers his new prescription for an ailing economy. The Minister of Finance sounds his usual ringing note of confidence, but the fact remains that he is embarking on a gigantic gamble. It carries the danger if not the outright guarantee of inflation.

I just quote briefly from those few editorials, Mr. Speaker, to indicate the wide difference of opinion among persons who support the present economic order completely. To budget for a deficit of $650 million on current account is very dangerous, in our opinion, and can be costly to future generations. In our opinion it is just the same as arranging a long term loan to pay the grocery bill. We are not blaming the Minister of Finance completely, because of the present circumstances. We are not opposed to deficit financing under certain circumstances, but we do consider it a very dangerous step to begin to budget for this large scale deficit financing for really carrying on the daily affairs of the country.

Mr. Fleming (Eglinton): Would the hon. member permit a question?

Mr. Herridge: Certainly, sir.

Mr. Fleming (Eglinton): What would the hon. member propose to do in the face of this situation, where we are faced with a deficit of $650 million as a result of various measures of which the hon. member is aware? Does he propose that we should reduce the deficit by cutting back on some of these measures, or raise taxes?

Mr. Herridge: I was just coming to that; the minister anticipated my solution. In our opinion the deficit could be considerably reduced. In our opinion corporations are still being allowed to retain too large a slice of their profits under these circumstances when we relate their profits to the situation throughout the country with regard to unemployment. Therefore we believe that this deficit could have been considerably reduced by an increase in corporation taxes and by a reduction of depletion allowances in particular circumstances with respect to certain companies where in our opinion this measure is considerably abused; also by the reduction of depreciation allowances under certain circumstances. We are quite in agreement with the minister's attempt to assist small industry and the development of industry with depletion allowances and depreciation allowances, but we are of the opinion that these allowances under the Income Tax Act are being very much abused in some quarters and that with an increase in these taxes we could have considerably reduced the present deficit. The minister may not agree with us, but that is what we believe.

In addition we must remember that when it comes to the question of income tax, the only persons in Canada when the government can be certain will meet their income tax obligations in full are employees whose income tax is deducted at the source, or farmers selling through recognized marketing organizations. I have some knowledge of business, and on certain occasions I have been appalled to find out what can be done under the income tax regulations. I think we are particularly generous in that respect.

As socialists I think it is only fair that we should offer alternatives to the present budget proposals, and we do that. We believe we are justified in incurring a large scale deficit as the result of investment in self liquidating, publicly owned projects, which would provide for co-operation in financing provincial projects and an extension of such programs as the winter works program. We believe it is quite sound to go into debt on capital investment in self-liquidating projects because the investment is there to equate the expenditure.

Then we believe there should be a planned program of production to assist the Asian, African and Latin American countries, financed in a way very similar to the way the war production program was financed. We believe this is a serious situation and that we can do something to improve our own domestic economic situation and at the same time accept our responsibilities to an even greater extent to other countries abroad. We believe investment in this field is very sound and will prove a good investment in the present world situation.

We believe in increased capital in the industrial development bank to provide long term loans to medium and small sized industry and business. The minister is providing for that to some extent in his budget. However, we say there should be provision in the loan to the medium or small sized industry for the state to become a partner in such industry or business, or the companies concerned having an opportunity for repayment of the loans in question.

I for one recognize that two and two make four. I do not underestimate the difficulties we face today, but we believe that if we could develop a program of this sort based on planned fiscal development and investment policies which would also require, in my opinion, a revolution with regard to our sense of values, the future would be much brighter than it appears to be today. Of course

these are the things which restrict governments; you cannot move faster than you can obtain a large measure of public support for a project. But we believe that a program of this type with further extensions, as a result of co-operation among provincial, dominion and municipal governments, co-operation with labour, co-operation with agriculture and even co-operation with socially responsible industry and business in this country—and there are large segments of our industry and business which are socially responsible—would lead to results such as our present policies could scarcely hope to achieve. We can implement a program with desirable national objectives under national direction and with a national purpose—that is a very necessary thing—which would provide the same support for the government and for the program that governments receive during wartime.

I am convinced, and so is the party to which I belong, that we must launch out in another direction. We can mobilize support for a program designed to serve the people and controlled by the people, having long term objectives such as I have mentioned. We do not suggest for a moment that all our ills, economic and social, can be cured overnight, but let us change our direction; let us get on a course which can bring results of the type we desire.

We have some examples to guide us. Go to Sweden. Go to Norway, where with far less natural resources than our own and far less opportunities for a program of this kind some marvellous things have been achieved. I will admit this, that in those countries there is a co-operative philosophy existing among the people, even among the industrialists, which does not exist in this country at the present time. We believe it is up to the national government to give some leadership in this respect. We believe that if we could once change our course, change our direction, we could offer a hope; we could give a purpose to life in Canada, and we could start to march along the road to stability in our economy and basic security for all who are willing to do their share toward this end.

Having made those few remarks with respect to our general approach, I wish to deal with a few of the good features in the budget. We in this group were very glad to hear the minister repeal the excise tax of 7½ per cent on passenger cars. This will be welcomed by many people and will be of some assistance to the automobile industry and the employees engaged therein. It is a worth-while poultice on the ills of society.

Mr. Martin (Essex East): But too late.

[Mr. Herridge.]

Mr. Herridge: The hon. member for Essex East says it came too late and I can well understand him saying that because I have listened to him over the years advocate just such a proposal.

Then the provision for a 50 per cent increase in the capital cost allowance in the first year on assets required for use in Canada above a company's normal capital outlay may be of some assistance. However, when we come to consider the resolution we shall wish to have some further explanation how this is going to operate and who will benefit in the long run. I would term this to be a suitable bromide.

Then we come to the extension of tax deductions for expenditures on scientific research in Canada. This should, it is true, promote research, but it will only benefit the larger companies because they are the only ones who can afford research. I would term this a very worth-while aspirin to cure our minor headaches in society.

I am glad to know that voluntary firemen are going to be allowed income tax relief on amounts up to $300. Members of the opposition have urged that for a number of years. It is very welcome. It has no serious effect on our economy, but it does remedy what we consider to be an injustice suffered by these volunteer firemen. Of course I am a great believer in voluntary service. We are living in an age where there are so many people who before they do anything for the community want to know "What is there in it for me?" When I was a boy, and up until recent years, people served as school trustees and on local community bodies and organizations without any thought of being paid, and I think the tendency to expect payment for performing public service within the community which can be done in a person's spare time is wrong.

I am glad to see the government intends to seek the co-operation of the provinces with regard to a program for portable pensions. I am very interested in this, particularly since the minister on one or two occasions has been telling us that the government had no responsibility in this field. He has expressed this view in response to questions raised by us as grievances.

Mr. Fleming (Eglinton): The hon. member would agree that I pointed out that the jurisdiction of the federal government here is very limited, and that the only way in which the federal government could approach the matter was by way of a tax measure.

Mr. Herridge: Yes, I understood the minister's attitude toward this, but portable or transferable pensions cannot become an accomplished fact without leadership from the

federal government because of its control over the federal Income Tax Act.

Mr. Martin (Essex East): It should have been done three years ago.

An hon. Member: Why didn't you do it?

Mr. Herridge: We in this group have urged the government to give some leadership in this respect for a long time, but we are glad to know that it is now included in the budget proposals.

We are also glad to note that there is to be a more intensive scrutiny by the income tax branch of expense accounts. In my opinion this section of the act has been greatly abused in recent years. I think we should be most puritanical in our application of this section of the legislation.

The cigarette smokers will be pleased to know that they will be able to cough on a larger cigarette without incurring any extra expense. That is not of great consequence, but it has made a certain percentage of our population happy. Since I am a pipe smoker it does not mean a great deal to me.

May I call it one o'clock?

At one o'clock the house took recess.

AFTER RECESS

The house resumed at 2.30 p.m.

Mr. Herridge: Mr. Speaker, when we recessed at one o'clock for refreshments, replenishment and reflection, I was dealing with that aspect of the budget relating to cigarette tobacco. I may say that during the luncheon recess I was informed by the hon. member for Bonavista-Twillingate that recently on the financial pages of one of the daily papers there was a comment from one of the heads of a tobacco company indicating this provision will not mean more tobacco in the cigarettes for the consumer. The legislation will not have the effect that was expected by the minister and to which he referred in the budget debate.

However, there is another aspect of the question with which I should like to deal, and that is this question of class legislation. There is gross discrimination as between cigarette and pipe smokers. We all know, Mr. Speaker, that young people, as a rule, smoke cigarettes, while the people who are older, and particularly our senior citizens, are addicted to the pipe because of their maturity and the lessened cost. I suggest that in my opinion this section of the budget would not stand close scutiny as against the terms of the bill of rights. I bring that to the minister's attention.

There is a mild tonic in the budget to which I should like to refer. The minister proposes an increase in the lending resources of the industrial development bank from $160 million to $400 million. We support this proposal wholeheartedly and believe it should be of some assistance to the economy if handled properly. I say that, Mr. Speaker, because I have known of one instance in which a corporation owned and controlled in the United States but located in my constituency was able to obtain quite a large loan, while quite a number of smaller Canadian owned companies were not able to take advantage of this act. As I mentioned before, we believe there is an opportunity here for the granting of loans on the basis that the owners of industries are willing to permit the government to become partners in those industries, or they can agree to full repayment of the loan. I believe this provision is worthy of some consideration in view of what has been done in Scandinavian countries in this respect.

I see the minister proposes a clinical examination of our financial structure and institutions, including the Bank of Canada. I think this is a most interesting proposal and has considerable merit. However, I suggest that the terms of reference of the royal commission should be wide enough to permit an examination of similar institutions in European countries, and I am thinking particularly of the Scandinavian countries and some western European countries in which they have had great success in relating monetary, fiscal and economic policies to the advantage of the country concerned.

Now, I have a few suggestions which I consider would improve the present budget. This budget does not provide for any change in personal income taxes. I am of the opinion that consideration should have been given to increasing the exemptions for persons in lower income groups. I believe provision should be made also for exemption of travelling expenses incurred by workers living at some distance from their employment. These monthly expenses can be quite large. Owing to the difficulty of obtaining housing, as well as other circumstances, you find workers living at increasingly greater distances from their place of employment, sometimes up to 25 or 30 miles in my own constituency. As a result they incur heavy travelling expenses.

I have mentioned this in years past, and I have no hesitation in mentioning it again. I believe these workers should be permitted some exemption in respect of these travelling expenses, particularly when we realize the frivolous expenditures that can be included as travelling expenses by travellers for certain

companies. I have been told of an instance in which a man travelled 100 miles to sell bubble gum, at least that was the pretext upon which the journey was made, and his expenses were allowed in respect of income tax because he worked for a wholesale grocer.

In view of the depreciation allowed mining companies and companies developing oil and gas wells, I say the same consideration should be given to farmers who use their capital or borrow money to bring land into production by clearing, by irrigation or by draining. The whole theory behind depreciation allowances with respect to those mining and oil and gas companies is that they are increasing the productivity of the country, they are adding to the total production. Farmers should be treated in exactly the same way. The farmer who brings land into production should have the opportunity to claim an exemption for the cost of that development. Similar consideration should be given to persons engaged in the conservation and protection of forest resources by the construction of roads, telephone lines and the purchase of equipment for fire protection and efforts taken to overcome destruction by insects and disease.

Mr. Deputy Speaker: Order. I am sorry to interrupt the hon. member, but his time has expired.

Mr. Herridge: I now come to the end of my comments on this patent medicine budget.

Hon. Paul Martin (Essex East): This morning I asked the Minister of Finance when the house might expect the government to deal with the recommendations contained in the royal commission report on the automotive industry. The minister's reply was inconclusive. I am sure I can say his reply will be received in the community from which I come with very much regret. I say this because of the dominion bureau of statistics figures regarding the sales of motor vehicles in this country which were given out on June 27. This report shows that in the month of May the shipment of Canadian made motor vehicles declined 4.8 per cent; that is to say, declined to 41,234 units from 43,334 in the corresponding month last year. The report also revealed that shipments of passenger cars in May fell by 5 per cent. In the same month the shipment of commercial vehicles dropped 3.9 per cent.

I believe these figures reveal the considerable urgency and desirability of the government giving immediate consideration to the recommendations of the Bladen royal commission. The royal commission was appointed over a year ago. The government has had the report for some time now. Requests were made by me on several occasions prior to the budget for an opportunity to peruse the report. However, the government withheld it until the presentation of the budget.

An examination of the royal commission report does not reveal that it contained anything of a character that could not be revealed, unless the government takes the position that the acceptance of the first recommendation, for the elimination of excise tax, was a matter so confidential as to preclude hon. members from seeing the terms of the report. In any event, I suggest that the figures I have just mentioned with regard to the drop in automobile production, together with the decrease in previous months, leave shipments in the January-May period almost 15 per cent below those of a year ago. I believe those figures are such as to warrant a more immediate confrontation by the government of the royal commission report on the automobile industry.

Mr. Bell (Carleton): Will the hon. member permit a question?

Mr. Martin (Essex East): At the end of my time I shall be glad to answer questions. I regret to think that the report of the Bladen commission is to suffer the fate of the reports of so many other royal commissions appointed by this government. We have had many commissions, such as the O'Leary commission and the royal commission dealing with medical care services announced last December 18 which is only now receiving its full complement of personnel as the result of a decision made about two weeks ago. Now we have a further suggestion by the Minister of Finance of a royal commission on monetary, fiscal and financial matters.

I do not want to digress from the main theme of what I have to say today, but with regard to the proposed royal commission on monetary matters I would simply say that the Bank of Canada Act in this country is so similar to the corresponding legislative provision in the United Kingdom that we might well have profited from the royal commission headed by Lord Radcliffe in the United Kingdom. In any event, much of the work of the proposed commission might well have been performed by a committee of this house. I hope that the fate of those commissions, including the Bladen commission, will not come within the mischief of the attack on the principle of royal commissions by Mr. Alan Herbert, M.P., who spoke of the futility of royal commissions in the United Kingdom a few years ago. Here is what he said:

> I am sure that the financial secretary will get this vote without any difficulty, but I should like some asurance that this money is not going to be wasted, as the money spent upon royal commissions is, I do not think it is putting it too high, to say nearly always wasted. I am probably the only

member of this committee who in his election address boldly asserted that when he became a member of parliament he would set his face against the habit of government departments asking royal commissions to find out things which they ought to know already themselves, and which almost everybody else knows. Therefore, I am bound to make my protest now. A royal commission is generally appointed, not so much for digging up the truth, as for digging it in and a government department appointing a royal commission is like a dog burying a bone, except that the dog does eventually return to the bone. In my short experience of royal commission I find that they spend perhaps years going into a question, that public-spirited ladies and gentlemen give their services free in doing that work, that they produce portentous and expensively-printed reports and that nothing happens.

This is a serious indictment on royal commissions, and what Mr. Herbert has said applies for the most part to royal commissions appointed by this government. In my community of Windsor and in places such as Oshawa, St. Catharines, Oakville and other industrial communities of our country there was great expectation from the setting up of the Bladen royal commission. Now, however, a year after its appointment, we are no further advanced with regard to solutions to meet the conditions which prevail in the automotive industry. Because of the reply we had this morning to my question to the Minister of Finance, and from the way in which the Bladen commission report was so carelesly passed over in the budget, I am afraid that the report of this commission will suffer the same fate as that of other royal commissions appointed by this government.

It should be clearly understood that the initiative for this commission was not taken by this government; it was taken by the communities concerned, namely Windsor and adjoining communities whose economies are so closely tied to the domestic manufacture of motor vehicles and parts, places such as St. Catharines, Oshawa, Oakville and other industrial centres of our country. I may say on this point that a number of individuals might well be mentioned as having taken the lead in impressing on the government the importance of an objective and thorough study of the problems of the automotive industry. But generally speaking the impetus came from those communities themselves, from municipal leaders, from workers, social welfare agencies and business. It is true that the unions and the automotive companies co-operated to the fullest extent, but I want to emphasize that the royal commission hearing finally granted by the government came about as the result of a popular and broadly based demand by the people of these communities whose present and future are so dependent on a healthy motor vehicle industry in Canada.

Among the bodies which made a contribution to the setting up of the commission was the greater Windsor industrial commission, a body that appeared before the Prime Minister in June of 1960. That body pointed out, among other things, that imports of automobile parts in 1959 increased 20 per cent over 1958; that imports of automobile parts in 1959 reached a new high of $319 million; that the United States supplied over 96 per cent of those parts; that imports of completed units in 1959 increased 46 per cent over the previous year; that imports of completed units in 1959 increased 105 per cent over all but one of the preceding years, that the United Kingdom supplied 47.5 per cent of the passenger units in 1959; that West Germany supplied 23.5 per cent of the passenger units in 1959, and imported passenger units from the United Kingdom increased 52 per cent in 1959 over the previous year.

It was as the result of submissions like that from the greater Windsor industrial commission, supported by the mayor of the city of Windsor and the mayors of the adjoining municipalities and the bodies I have mentioned, that the stimulation grew for the establishment of this royal commission. That we should be no further ahead now is a matter of great regret to the community from which I come.

Mr. Best: What about the excise tax?

Mr. Martin (Essex East): I am going to deal with the excise tax which was promised—

Mr. Fleming (Eglinton): Will the hon. member permit a question?

Mr. Martin (Essex East): At the end of my speech. I only have half an hour and I want to cover this matter. The excise tax was removed only the other day as a result of representations made by opposition members, notwithstanding the promise made by the Prime Minister on at least two occasions, in the election campaigns of 1957 and 1958 when he promised that the excise tax on automobiles would be eliminated, not just partially but completely right away, not four years later.

I say to the minister that he has had an opportunity to examine the Bladen report, and he should have been in a position to tell us on behalf of the government what portions of that report were acceptable to the government. Instead we have this further delay in the face of the situation which now confronts the automobile industry, as indicated by the statistics I have thus far put on the record.

The acceptance of the proposal for the elimination of the excise tax of 7½ per cent was very welcome. I have been urging it in

this house for some time, as have other hon. members, as a means of providing some solution for the serious unemployment situation that attends the automobile industry. It is significant that Professor Bladen in making his recommendations, which are to be found on page 58 of his report—prepared, by the way, at a considerable expense and valuable only if it receives from the government the kind of attention it warrants—spoke of these proposals as a package, that one proposal by itself will not meet the purpose behind the commissioner's program. For instance, Professor Bladen says:

> I want to emphasize, however, that these are not discrete items from which a selection is invited; they constitute a unitary plan, a program for the continued development of the automotive industry in Canada.

The government is not in any way implementing the comprehensive program put forward in the Bladen commission report. Thus far the government again gives evidence of procrastination, perhaps until a further crisis in the industry takes place. I say that we welcome, of course, the elimination of the 7½ per cent excise tax, but I say that the government should have recognized this three years ago when it was faced with the large volume of unemployment that confronted the automobile industry. Automobiles are no longer luxuries. The mere recognition of the fact does not do justice to the difficulties being experienced by the industry.

There are a number of factors that must be looked upon in mitigation of the impact of the reduction of this tax provided for at so late a date. I say that I welcome the elimination of this tax, but if this action had been taken three years ago some of the things about which I am now going to speak would not exist.

First of all, the value of used cars is likely to decline in proportion to the reduction in the price of new cars, so that the majority of purchasers who wish to trade in cars will not realize a full 7½ per cent reduction in price. Second, if the government is successful in its policy of devaluing the Canadian dollar, the cost of Canadian produced automobiles is bound to rise because of the large American parts content. The minister argued the converse, of course, last year when, in referring to the high premium on the Canadian dollar, he said as found on page 2673 of *Hansard*:

> On the other hand, it lowers the cost of imported raw materials and semi-finished goods used by our manufacturers, and it has helped keep down our cost of living and cost of producing.

But that is not the position taken by the minister in the current budget. I further point out that the pending 3 per cent sales tax, which Mr. Frost argues is necessary because of the fiscal arrangements with the federal government, will itself absorb half the benefits accruing from the elimination of the federal excise tax in the province of Ontario, which is the largest market for Canadian produced automobiles. The premier of Ontario was driven to this tax as a result of the failure of the government's fiscal policies—

Mr. Fleming (Eglinton): Nonsense.

Mr. Martin (Essex East): —as a result of the failure of the government in its fiscal relations with the provinces to live up to the commitments solemnly given the Canadian people by the Prime Minister.

Mr. Fleming (Eglinton): Nonsense.

Mr. Martin (Essex East): Moreover, Mr. Speaker, I point out that the government should have given more than a promise to study the recommendation of the royal commission on the automotive industry, that the basis for the application of sales tax on imported motor vehicles under the Excise Tax Act be changed from the duty paid value to the sales price to the retailer. I refer to the second recommendation of Professor Bladen, which will be found on page 58 of the report and reads as follows:

> That the base for the application of sales tax on imported motor vehicles, under the Excise Tax Act, be changed from the duty paid value to the sale price to the retailer in Canada, and that section 29(1) be amended accordingly.

But no, we do not have any indication whatsoever from the government, notwithstanding these observations of the royal commissioner. Professor Bladen said:

> I know of no other country that places domestic manufacturers at a disadvantage in meeting import competition. The United Kingdom levies its purchase tax on imported goods, as on all goods, on their wholesale value in the United Kingdom. The United States applies its excise tax on all automobiles on the price of the automobile in condition for delivery to the purchaser in the United States.

These words of Professor Bladen, for the benefit of the minister since obviously he has not carefully perused this report, will be found at page 61. I ask the minister why he could not in this budget, a budget that had been revised after another one only a short time previously had apparently been abandoned—

Mr. Fleming (Eglinton): That is quite wrong.

Mr. Martin (Essex East): —have given effect to the proposal that some relief might be given to the assemblers of motor cars to the degree to which they buy or produce Canadian parts. The fact is that during the first six months of 1961 passenger car output has dropped about 14 per cent behind the 1960

pace. In view of this fact I say to the government, having in mind the economic implications of the automobile industry directly and indirectly it should have acted, should have accepted or rejected the proposals of the Bladen commission, and stated its policy. To have kept this report for all this time, then to have given it only on the night of the budget, and then not to have done more than promise to study the report was, I say, an insult to those who urged the government over a year ago to make this kind of study of the serious situation that confronts the automobile industry.

I say the government has no excuse for the way in which it has said, in a budget speech, "We are going to study the recommendations of this report", without, of course, adding "notwithstanding the fact that we have had it now for six weeks, and notwithstanding the fact that the royal commission was appointed over a year ago". I say that the recommendations of the commission should not have been held in reserve. I suspect that one of the reasons they were held in reserve was as a bargaining point to bring pressure to bear on the United Kingdom in her attitude toward the common market. If the minister thinks this is a far-fetched suggestion I ask him to look at the *Times* of Thursday, June 22, 1961.

Mr. Fleming (Eglinton): Everything the hon. gentleman is saying is far-fetched.

Mr. Martin (Essex East): My hon. friend says that everything I say is far-fetched.

Mr. Fleming (Eglinton): Wild conjecture.

Mr. Martin (Essex East): I want my hon. friend to know that what I am saying now will be concurred in by the royal commissioner, by the thousands of unemployed in my city and elsewhere and by the automobile manufacturers who had hoped that this government in this budget would have done something substantial to meet the conditions that confront the automobile industry.

Mr. Fleming (Eglinton): They have written to me congratulating me on the budget.

Mr. Martin (Essex East): Here is what the *Times* said:

> Some observers are wondering how far these recommendations for a tariff on British cars and parts are being kept up the minister's sleeve as a bargaining factor which the Canadian government might use in any negotiations with Britain on the common market issue.

Mr. Chambers: What would be the effect on car sales?

Mr. Martin (Essex East): Let the hon. member ask that question at the end of my speech and I shall be very glad to deal with it.

The commission dealt with another matter, namely the possibility of reciprocal free trade with the United States in automobiles and parts. Do we have from this government any indication of what it thinks about the royal commission's commentary and recommendations in this regard? We have not a word in spite of the fact that the three main automobile companies in this country presented briefs recommending exploration of proposals for closer integration of the Canadian and United States automobile industries. The united automobile workers suggested integration of production facilities. Professor Bladen refers to part of the submission made by the united automobile workers in this regard. Their recommendations in part read as follows:

> In essence, we suggest that the commission examine the feasibility of an international agreement which would permit free trade in the products of any motor vehicle manufacturing company provided that the company produced in Canada or had produced for it in Canada a quantity of motor vehicles and parts, sufficient to assure maintenance of current levels of employment at current production volume and future increases in employment parallel with the growth of the company's Canadian market.

This is, of course, a proposal that must be carefully examined. It represents the majority view of the united automobile workers. A minority report was put in by one of the locals of the united automobile workers. What does this government say? It says not a word about any of these matters. It proposes to study the royal commission report. When does it propose to give us an answer? I asked the minister this morning whether, if parliament comes back in September and if there is another budget, as we have rumours that there may be, he is going to provide for the situation.

Mr. Benidickson: One is not good enough.

Mr. Martin (Essex East): If there is not a budget, or if that is not his intention now, what justification can the minister offer for not having given evidence of a greater interest in this document, the report of the royal commission on the automotive industry? It will not satisfy the people whom I represent in this house and others in places like St. Catharines, Toronto, Oakville and Oshawa to be told by the minister—

An hon. Member: Speak for yourself.

Mr. Martin (Essex East): —that the report is one which the government is going to consider seriously in the long future. This government has established a precedent in the study of reports that is not too encouraging. For instance, we know that the Minister of National Health and Welfare has been studying for three years a report which the Prime Minister of this country told us in January of 1958 had to be prepared in four months—

Mr. Benidickson: In four months, for the election.

Mr. Martin (Essex East): —so the government could take action with regard to adopting a system of old age security such as that in operation in the United States. I say this to the Minister of Finance. He may not agree with all the proposals of the Bladen commission—

Mr. Fleming (Eglinton): Does the hon. gentleman agree with all of them?

Mr. Martin (Essex East): No, I do not agree with them all.

Mr. Fleming (Eglinton): Which ones?

Mr. Martin (Essex East): Let the minister ask me at the end of my speech. My hon. friend is in the government. I would say this. If I were in the government and if I had the responsibility of my hon. friend with regard to a commission which had been appointed a year ago and whose report I had in my hands for weeks, I would have been in a position as minister of finance to say what I would do about that report instead of shelving it.

Mr. Fleming (Eglinton): The hon. member has had it for nine days and he will not tell us which recommendations he favours.

Mr. Martin (Essex East): There are many aspects of this budget about which one would like to have a great deal to say. Certainly it is a budget that has been received all over this country with great disfavour.

Mr. Fleming (Eglinton): With great favour.

Mr. Martin (Essex East): I suspect that there has never been presented to the Canadian people a budget that was received so widely and so universally with such disfavour as this particular budget—

Mr. Fleming (Eglinton): What has the hon. member been reading?

Mr. Martin (Essex East): —and particularly because it was introduced at a time when the minister had created one of the most regrettable incidents in the framework of government in this country, by the situation which he allowed to develop over a dispute with the head of the most important institution dealing with the financial matters in our country, the central bank. That story, about which we shall have more to say later, however, is part of the background causing this budget to be viewed with disfavour, causing the minister's prestige to fall, and causing a diminution in the appreciation of himself and his competence in this particular ministerial capacity of which he at this time, I am sure, has no appreciation.

[Mr. Martin (Essex East).]

Mr. Fleming (Eglinton): The hon. member does not believe that.

Mr. Martin (Essex East): If my hon. friend will only go to Toronto and spend a few days there he will find that nothing has hurt his government and nothing has hurt him more in the esteem of the people of that city than have this budget and the circumstances attending it.

Mr. Fleming (Eglinton): That is not the impression that I have gained.

Mr. Martin (Essex East): The most important feature of the budget, of course, is the minister's proposal to engage in what he called, up until a few months ago, a huge speculation with public funds which was bound to fail. With the objective of having the Canadian dollar at a level that will enable us to meet foreign competition without imposing an undue burden on the Canadian public I fully agree. There can be no doubt about that objective, but the way in which that objective is attained is the important thing. Quotations from the speeches made by the minister have already been put on the record over and over again, and yesterday by the hon. member for Laurier. The minister has been converted, apparently, to the view that this huge speculation, and that is all it is—

Mr. Fleming (Eglinton): No, it is not.

Mr. Martin (Essex East): —which he said was bound to fail, is the only economic salvation for the country. He now contends—

Mr. Fleming (Eglinton): No, no.

Mr. Martin (Essex East): If Mr. Barkway was right—

Mr. Fleming (Eglinton): Mr. Barkway is usually wrong.

Mr. Martin (Essex East): If Mr. Barkway was right in the press conference held the other day with the minister and other press correspondents, the minister ought to explain the statement made by Mr. Barkway that from December to the end of May, according to official figures, it had cost $120 million to move the dollar down by half a point, and the United States dollar was still at a discount of 1½ points.

Mr. Fleming (Eglinton): That statement gave a most misleading impression.

Mr. Benidickson: Look at page 320 of the Bank of Canada monthly report.

Mr. Martin (Essex East): What would it cost to bring it down a significant amount? The minister dodged this question in the press conference the other day and made a speech

about something else. That is the minister's favourite tactic. Ask him a question about horses and he tells you all about elephants. If it cost $120 million to move the dollar down by one half or 1 per cent between December and May, how much is it going to cost to bring it down to any significant discount and keep it there?

Mr. Fleming (Eglinton): His was a very misleading statement.

Mr. Martin (Essex East): That is a question the minister has not dealt with. He has dodged it at every opportunity. Indeed, the hon. member for Canary-Rainy River—

Mr. Fleming (Eglinton): "Canary" is right.

Mr. Martin (Essex East): The hon. member for Kenora-Rainy River pointed to a statement made by the assistant general manager of the Royal bank, that for every one point it would probably cost $200 million. Is that right? To bring it down by five points would involve another $1 billion. Is that right?

Mr. Fleming (Eglinton): No.

Mr. Martin (Essex East): No wonder the minister, before his conversion, described this as a "huge financial speculation which was bound to fail".

Mr. Benidickson: That is what he said a year ago.

Mr. Martin (Essex East): But there is another important aspect of this problem.

Mr. Fleming (Eglinton): You did not agree with me then.

Mr. Martin (Essex East): We have a floating rate which is supposed to be determined by the market and which, until last December, was determined by the market. Mr. Abbott pointed out when we went on the floating rate that the exchange fund would be used to iron out minor fluctuations; that the government would not go into the market; that it would not interfere with the operations of free enterprise for the purpose of making significant—and I pause to repeat the word "significant"—changes in the rate.

Mr. Deputy Speaker: Order. I am sorry to interrupt the hon. member, but his time has expired.

Mr. Martin (Essex East): I simply say to the minister that this is speculation of the most dangerous sort against which we must protect the Canadian people.

Mr. Fleming (Eginton): Mr. Speaker, would the hon. member permit a question?

Mr. Deputy Speaker: The consent of the house would be required. Does the house agree to an exchange of questions and answers?

Some hon. Members: Agreed.

Mr. Benidickson: A question, yes.

Mr. Pickersgill: A question, but not a speech.

Mr. Fleming (Eglinton): Mr. Speaker, the hon. member was kind enough to say he would answer a question. I wonder if he would indicate to the house, now that he has had the report for nine days and I am sure has studied it carefully, which of the recommendations in the Bladen report he supports. Does he support, for instance, the proposed increase in tariffs, changes of valuation and other things? Would the hon. member indicate just where he stands on the recommendations?

Mr. Martin (Essex East): I will be very glad to deal with that if the house will give me an opportunity, but I will have to have the opportunity.

Mr. Benidickson: Agreed.

An hon. Member: Just answer the question.

Mr. Martin (Essex East): One cannot just say yes or no. I am prepared to speak for another 40 minutes on this subject.

Mr. Fleming (Eglinton): Mr. Speaker, that is the neatest way we have seen yet to dodge a question.

Mr. Martin (Essex East): I think what the hon. gentleman ought to do is—

An hon. Member: Your time is up.

Mr. Martin (Essex East): —give the Leader of the Opposition and the rest of us an opportunity at the earliest possible moment to settle these problems which this government is shelving.

Mr. Fleming (Eglinton): Your footwork is not nearly as good as it was. That was pretty clumsy evasion.

Mr. Arnold Peters (Timiskaming): Mr. Speaker, I have been very interested in the discussion that has taken place in the last few minutes. In particular I was interested in the final remarks of the hon. member for Essex East in relation to the devaluation of the Canadian dollar and the amount of money that will be involved. I, too, would have liked him to have an opportunity of dealing further with that matter, because it is without doubt of great importance to us. The *Financial Post* has said:

> Most important Ottawa decision this week for all of Canadian business is finance minister Fleming's announcement that the government will use the exchange stabilization fund to lower the exchange rate on the Canadian dollar vis-à-vis its U.S. counterpart.

This article mentions, of course, as did the hon. member for Essex East, the fact that this was not the purpose of the stabilization fund. Then it says:

> Fleming's plan to influence downward the exchange rate marks a complete about-face in government policy. As recently as May 16 last year, when speaking to the Vancouver board of trade, he listed five ways in which the government could force down the premium on the dollar, and stated that the disadvantages of the alternatives outweighed the disadvantages of the premium.

I only suggest that the method being used at the present time to stabilize the dollar at any reasonable level may cost the Canadian people a great deal of money. It may be that this fund should be used in the reverse manner to that suggested by the minister; it may be needed to bolster the Canadian dollar rather than to peg it at a relatively low position.

It seems to me that one of the problems we will have to face, and it is certainly not a desirable one, is that if this results in a terrific and variable fluctuation of the dollar so that everyone has to go to the exchange each day to find out what the dollar amounts to, it will not be good for business. It will not allow companies to ascertain what the selling price of their products will be and it will have, in my opinion, a very detrimental effect on stabilizing the exports of this country.

I was very interested the other day to hear the remarks of the Minister of Public Works. Over the years until now he has had some influence in stabilizing the economy of this country through the exceedingly heavy expenditures we have made in the mortgage field through Central Mortgage and Housing Corporation. As I understood the minister's statement, he said that income tax today is lower than it has been for years. It seems to me this is in contradiction of the *Financial Post*, which on page 8 has a table headed:

> Background to the budget. Where the revenue comes from. Income tax bite getting bigger.

This table shows that personal income tax in 1939 was 11 per cent; in 1950 it was 28 per cent; in 1961, 34 per cent. With regard to corporation income tax, in 1939 it was 19 per cent; in 1950, 27 per cent; in 1961, 26 per cent. This does not indicate to me that it is getting easier on the pocketbook of the workers of this country. I think they have a continuing problem in trying to make ends meet. The problems of income tax are not getting less but are getting more, and will continue to get worse. The only way income tax can be reduced is to increase the allowances for those in the low income group, and this has not been done. As long as those paying income tax have to carry those thousands and thousands of people who are unemployed it will not be very easy to arrive at a situation that will be more advantageous.

It seems surprising to me also that a minister of the crown, and in particular one in as important a position as the Minister of Public Works, should have risen and made the speech he did make the other day. I do not think this is a reflection on the people he mentioned, but it is a reflection on those he did not mention and the fact that many of them have had no interest and are not willing on behalf of the people they represent to express an opinion on this budget and a number of other things about which they could have spoken. I think it is unfair for the government or any member of the cabinet to stand up in this house and say that the opposition takes up too much time; because on a number of occasions we have seen speaker after speaker on the government side talk about things which were only being discussed in order to give the government time to bring in legislation which they were not capable of bringing in earlier. Even in the last few weeks of this session we are still not sure what all the legislation in this session of parliament is going to be. It is interesting to note that the suggestions made by the Prime Minister as to what it is going to be are not necessarily those of the leader of the house, and each one has an opportunity to introduce something of his own.

It has been said that this government is interested in pushing the idea of socialism versus private enterprise. I believe that anyone, including the Prime Minister, who is interested in this argument should read the Ottawa letter which appears in *Saturday Night* of July 8. It says:

> We have neither socialism nor private enterprise and are not going to go whole hog for either one or the other. Now, it seems clear, Mr. Diefenbaker's "issue" seems to boil down to "private profit versus crown corporations".

It goes on to say:

> The back benches of the government are packed with little men who literally hate the crown corporations and their top executives. These M.P.'s are not big-minded enough to believe in the neutrality of civil servants.

The article goes on:

> Similarly, the little men hate Donald Gordon and his C.N.R. They loathe the C.B.C. They cannot understand why profit-making crown corporation Polymer is not turned over to private pockets. And they want money-saving Eldorado Aviation turned over to private operators.

The article argues that this is in complete contradiction with what the Senate unemployment committee came up with when it

issued a report which made the whole socialism versus private enterprise battle completely irrelevant. The article goes on to say:

"The maintenance of an adequate rate of economic growth requires a continuing high level of capital investment, both private and public. Private capital investment must be supplemented and stimulated by an adequate rate of government investment in social capital."

It goes on to mention that this government have considered this and are not in complete agreement with those who believe otherwise, because they are going to add to the capital of the industrial development bank so that government assistance can be given to the little people of this country.

I am particularly interested at the time of this budget in two or three matters which appear to me to be of great interest. One of them is this matter of where the Conservatives stand in relation to labour. This is going to be an important matter this summer. It is going to be discussed without doubt on a number of platforms, and I think we should take a look now at what the program of the government is.

I should like to mention two or three things. This morning I asked a question as to the government's intentions concerning Canadian postal employees. The question was simply this; does the government not believe that those people who are granted statutory holidays should be paid extra in respect of those statutory holidays when they have to work? Is it not the intention of the government to pay those people double time for the work they do on those days which would normally be days off and which are classed as statutory holidays?

If we read the long reply given by the Postmaster General on June 27, as reported at page 7107, we find it boils down to the fact that this government does not believe that employees are entitled to time off or that they should be paid extra for working on statutory holidays. They obviously do not believe in the system of double time for holidays that are worked. I suggest they probably also are in a position where they abuse, and widely abuse, this business of sick leave. In the reply by the minister he referred to the fact that they could take their sick leave and use the sick leave pay as compensation for the day they worked, though the fact that they did come in early every morning could be considered as overtime.

It is generally agreed by everybody who has thought about this matter at all that the interests of this country can only be served by bettering our labour code so that our workers may be in a continually better position to serve the needs of this country. I think it is a step in the wrong direction when the Canadian government itself gives no assistance in the relationship it has with the postal employees in connection with this latest dispute.

This is shown in other ways. The Prime Minister himself said this year that the workers of the country, particularly those employed in the railway industry, would have an opportunity of presenting their case before a committee of this house. But when the matter of the railway workers was referred to that committee it did not concern all the railway workers of this country but only some of them, those employed by the Canadian National Railways. I believe there is a problem, well known to many members of this house, in relation to those C.P.R. workers who were pensioned off many years ago.

I refer to one example. An engineer who retired in 1953 and one who retired recently, both with 48 years' service, are treated in entirely different ways. The first receives a pension of $123.45 per month with no survivor benefit. The other receives a pension of $346.74. Should he predecease his wife she will receive a pension of $173.37. Her pension will be $49.92 higher than that of the first employee with 48 years of actual service as an engineer. Had the first engineer made provision for his wife his pension would have been reduced to less than $93 to provide her with a pension of less than $46. There were nearly 900 pensioners in British Columbia in 1953 receiving pensions of less than $51 per month with no survivor benefit, who were, at that time, given no consideration whatever.

This same condition applies at every terminal on the Canadian Pacific Railway from coast to coast. All pensioned employees for whom we speak, had they been employed by the Canadian National Railways, would have received equal treatment on the basis of service and income with those who were retired after January 1, 1953, including a survivor benefit.

We raise these matters because they indicate that this government is not being honest with the Canadian people when it says it wants to speak for labour and give labour a fair deal. We should look at what this pension plan really amounts to. It could, of course, be argued that the Canadian National is a government owned railway while the Canadian Pacific is not. I do not pretend to discuss now the merits of the Canadian National as against the Canadian Pacific, but it is simply not true that the Canadian Pacific has stood on its own two feet. I think it could be argued over the years we have spent almost as much on the C.P.R. as we have on the C.N.R. I would not even go so far as to say that we owe much more to one than

we do to the other. I do suggest, however, that these pensioners have not been given any consideration during all these years. The position of that company was not such as to warrant the statement that they could not afford to pay increases to these people on pension.

In looking at the annual report of the Canadian Pacific Railway for 1952, we find that the total reserves and unadjusted credits amount to $555,843,167, which is a sizeable sum of money. By 1960, deferred credits, reserves and provision for depreciation totalled $1,057,665,415. This would indicate to me that we have given a great deal of money, through subsidies and other means to this company in return for which we have received very little, especially by way of consideration for employees who have been helpful during all these years in establishing and maintaining that company.

I believe, therefore, Mr. Speaker, that the Prime Minister was less than fair when he referred to a committee this matter of Canadian National pensions and did not include the question of Canadian Pacific pensions. It seems to me that all these people who believe in the free enterprise system, the social credit members and the union nationale members, are not willing to refer the question of Canadian Pacific Railway operations to a committee, and thus prove to the members of the house that this company is all that is alleged to be. I am suggesting that these members of the house should be willing to follow this course if they are going to be fair to labour and to the Conservative party.

The unemployment insurance fund has been practically depleted. The government has suggested that they are going to put in $170 million to tide this fund over a difficult period. This step should have been taken a long time ago. The fund should never have been allowed to get into the depleted condition in which it is now. I believe that this amount should have been added to the fund, and more, rather than using it as a subsidy to finance government operations in dealing with the recession, something for which this government was responsible.

In recent days, Mr. Speaker, this government has done something else to which labour will have to give some consideration. The hon. member for Burnaby-Coquitlam (Mr. Regier) asked a question the other day concerning lay-offs at the Saskatoon plant of Westeel Products Limited. Evidently the unemployment insurance commission office there had suspended these employees from receiving benefits because of a rumour to the effect the employees had been laid off in anticipation of a strike. Does this action not mean the end of open negotiations? Does it not mean the end of negotiations as we know them? Is it now going to be a fact that every time a union says, we are going to push this situation to a settlement the unemployment insurance commission will say there is a threatened strike and lay-offs are justified? If this is true, it seems to me the procedure will eliminate many of the benefits for which labour has fought for many years and which I am sure the majority of the Canadian people appreciate. Is it not true that one of the advantages we have in this country is wide open negotiation between labour and management in which the public has an interest? The newspapers give wide coverage of these negotiations leading to settlement, as well as the work of conciliation boards.

It seems to me that if this decision of the unemployment insurance commission is allowed to stand, the result will be that labour will have to cover up its negotiations. It will never be able to declare its intentions, and it will have to act behind a wall of secrecy. In my opinion, such a situation would not be in the interests of this country and certainly would not be in the interests of the conciliation service.

I am at a loss to say what we should call this budget. It seems to me that the government faces a grave problem. Although some people forget about the deficit budgeting on former occasions, I feel that the government needs some justification for this request for deficit budgeting now. In my opinion this decision can only be valid if we are willing to believe this budget will help to expand the economy of this country and decrease the unemployment that is now so prevalent; that it will do something to settle the cost-price squeeze that is affecting the farmers of this country and will also produce a more favourable climate for our industries. This budget is not the budget of the Minister of Finance or Mr. Coyne. They are both orthodox, conservative financiers, men for whom I have some respect because they have principles and know what those principles are. They are both well educated and well schooled in the principles of conservative financing. If they were not, Mr. Speaker, the hon. member for Greenwood (Mr. Macdonnell) would stand up in this house and denounce them because he is an expert and student, as well as an honest evaluator of conservative financial policy.

I say that these two gentlemen are orthodox, conservative financiers. The same cannot be said, however, of the Prime Minister, the Minister of Agriculture (Mr. Hamilton) or the Minister of Trade and Commerce (Mr. Hees). These ministers decided that they were

going to solve certain problems for election purposes, that they were going to try to win back some of the appeal their party had lost. I believe they are going to do this at the expense of Mr. Coyne and probably of the Minister of Finance. It is no wonder that not too many government supporters have been able to get up and justify this particular budget.

As I have said, we are going to solve this problem in one way. We are going to reduce the value of the Canadian dollar. We are going to purchase United States funds in order to maintain some degree of balance between the Canadian and United States dollar. The minister used the word "approximate". We do not know whether he means 90, 95 or even 100. I suggest that we are taking a great risk. There will be a momentary advantage for the people of my area, the pulp and paper industry, the gold mining industry, as well as many of the secondary industries. However, as the hon. member for Essex East (Mr. Martin) has pointed out, there will not necessarily be any long range advantage. This course may not have any effect on the automobile industry and may cost Canadians a great deal. I suggest, Mr. Speaker, that the Conservative members should not be too happy about this budget until they are much better informed as to how we are going to stabilize the price of the Canadian dollar. In some other countries this measure has only brought temporary relief and has cost a considerable amount of money. But I do want to say that I am perturbed at this government in particular because of its attitude toward the matter of pensions. I have always been interested in pensions. I mentioned this the other night and I should like to use as an authority an outstanding Conservative in my area who had this to say about pensions. He was asked in 1957 what the Progressive Conservative policy was on pensions and this is what he had to say:

> I have not heard of pensions to miners or any other workers being included in the policies of any political party.
>
> The Progressive Conservative government realizes that manpower is becoming less and less essential as more and better machines are designed to do the job.

This may be true, but it is no solution to the problem. People are still around; we have not eliminated them. While the machines may be doing a better job, the people are still here and something must be done for them.

The Prime Minister appointed Professor Clark to examine the United States system. An article appeared in the Ottawa *Journal* of Saturday, March 31, 1959, which had this to say about the United States system:

> Under the American system, contributions are made by employees, employers and the self employed. Pension payments start at the age of 65 for men and 62 for women and even earlier if ill health forces a person's retirement. Canada's universal pension starts at the age of 70.
>
> Payments to retired American workers can go as high as $108.50 a month. The average payment is $76 a month for a single person, $128 for married couples without dependents, and $65 for aged widows.
>
> Professor Clark said that what "attracted" him to the American system was the fact that it was self supporting. The American employee pays a tax of 2¼ per cent of the first $4,200 of annual pay. The employer makes a similar contribution but he can charge this up to business expenses for tax purposes.

Later Professor Clark went on to say that Canada cannot afford the pension scale of the United States. He said:

> 1. A huge pile of money would be needed to turn the existing $55 a month federal pension plan an employee-employer contributory scheme.
>
> 2. Because average Canadian earnings are about 30 per cent below those in the U.S., Canadians for at least a decade couldn't hope to achieve the maximum U.S. benefits which currently run to about $127 a month.
>
> 3. At least two years would be required to bring in a new scheme and before plunging into a contributory plan it would be "very important" for the government to consider other methods of boosting pensions.
>
> 4. Presumably, under a contributory plan, the minimum monthly payment would be the present $55 pension. This would compare with the present $33 minimum in the U.S., a minimum achieved only after 22 years of collecting contributions.

The minister said that this was a matter to which he would give some leadership in relation to bringing the provincial and federal governments together. In my opinion this is not acceptable. I do not think that we in the parliament of Canada should agree to the idea of establishing something that will divide and keep separate—

Mr. Deputy Speaker: Order. I am sorry to interrupt the hon. member but his time has expired.

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, the budget debate as well as the speech of the minister and the budget itself which we are now considering have inevitably prompted the question in our minds: Why has "expansionist" finance become a government slogan after four years of recession and slow-down during which the government rejected proposals for expansionist finance from this side whenever they were put forward? Well, the question perhaps is not too difficult to answer. The answer is that we are approaching an election.

This budget has been described by the minister as an economic budget. Well, it is an economic budget in the sense perhaps that it is not itself an election budget; the

glamorous political gifts are to come next time. The good features in this budget—and there are some, we put some of them forward ourselves—are four years late, but the weaknesses and inadequacy of the budget, and I hope to point out some of the weaknesses, will be felt now.

This budget is a confession of the failure of the government to do anything really effective during four years to halt the decline in our development; a decline shown by the fact—and this cannot be disputed in this house or outside of it—that real output per capita has decreased in those four years, while in the previous eight years it had increased by 20 per cent. Therefore, Mr. Speaker, this budget is simply further evidence that we have a government which mistakes words for action, which is more concerned with the sensation created than the result achieved. It seems to think that cleverness in politics is a substitute for skill, wisdom and steadiness in government, and that excitement is a substitute for efficiency.

Mr. Macdonnell: Will the hon. member permit a question?

Mr. Pearson: Yes.

Mr. Macdonnell: He says production had increased 20 per cent. Will he indicate how much of that was price increase?

Mr. Pearson: A substantial portion; I could not indicate the figures. I do not know what the price increase was in the eight years; perhaps the hon. member knows more accurately than I do. It would be something like 4 per cent, or 5 per cent, if I had to hazard a guess, but I am not sure.

Mr. Macdonnell: I put on the record this morning, if I remember rightly, that from 1945 to 1952 it was 50 per cent.

Mr. Pearson: Well, even if it was 50 per cent—I am not accepting these figures, I just do not know; my hon. friend has not put them forward as being accurate, but even if that were the case—it would still leave a real increase per capita of 10 per cent against an actual decrease in the four years. However, the attitude of the government, the effectiveness of the government is shown, as I was beginning to point out, by the fact, in our view, that problems are allowed to drag on until they become crises. We have said this many times over here. Then expedients are frantically sought out too late, however, to deal with those crises, while a smokescreen is thrown up to conceal failure to act in time. I could give many examples to support that statement. For instance, unemployment was not even, in the eyes of the government, a really serious problem until the autumn of 1960.

The railway problem was allowed to drag on until it became critical, when a subsidy was thrown in, as usual, as a stopgap. Defence policy is in a state of confused indecision. We are spending millions and millions on we know not what kind of defence.

Mr. Harkness: You don't know but everybody else knows.

Mr. Pearson: We do know one thing, Mr. Speaker, namely that we are buying a second-hand United States interceptor to replace a first class Canadian plane that was scrapped and sunk without a trace except the trace of bitter resentment and national chagrin.

Mr. Harkness: The most impractical effort any government ever made was to start that plane.

Mr. Pearson: Monetary policy is no responsibility of the government. That is the position they took up till February last. When Mr. Coyne exposed the fallacy and, indeed, the danger of that attitude, four years later a royal commission is set up to deal with the problem. We have advocated formally by resolution in this house that monetary policy should be a subject for parliamentary inquiry and investigation, and this should have been done a long time ago. International trade problems can be evaded while the government preaches and lectures and waits for something to happen in Europe. A budget should be balanced, until five failures to do so convert a deficit into a suddenly discovered virtue. And so on and so on and so on—confusion, indecision and delay.

These are the methods that were followed in the production of the budget which we are now considering. It was produced after unprecedented delay and unprecedented excitement, disturbance and crisis for which the government is responsible and which culminated in the unhappy controversy over the governor of the Bank of Canada. The impression was created by all this excitement, and perhaps it was meant to be created, that something really important, something really big, was to be included in the budget, something to lead us out of the valley of recession again, into the uplands of expansion, growth and prosperity, something that would constitute a massive attack on unemployment which remains so distressingly high, higher indeed than the same time last year in spite of all the complacent predictions of ministers.

Indeed, Mr. Speaker, this budget was to have been such an intoxicating one that the governor of the Bank of Canada was to be forced to resign before he could see it. As it happened, there is not very much in the budget to cause him any surprise or provoke much disagreement with it or to give adequate

stimulus to our economy which needs that stimulus so badly. In short, the budget did not live up to its advance billing.

Indeed, so little of expansion is there in the inadequate measures of this budget that the minister himself predicts an increase in our gross national product for the current year of only 3 per cent. That is less than last year when the gross national product was not enough to produce jobs in mid-winter for more than three quarters of a million people. We can perhaps take some comfort from the fact that the minister may be as far off in this prediction as in the others he has made.

This year is to be another deficit year but it is not an expansion deficit. The nature of the budget makes that clear in spite of all the words of the minister in his attempt to prove the contrary. Away back in June, 1958, the Minister of Finance had this to say. I think I have quoted these words already but they bear repetition.

> These huge deficits ... carry serious implications for the ... future health ... of our country.

Well, Mr. Speaker, we have had four more since then, accidental and unplanned. The minister chided us and me in particular last evening with inconsistency but what did he say just a year ago? I quote from his budget speech of that time:

> The restoration of a balanced budget this year—

That was 1960.

> —constitutes the achievement of an objective to which we have been moving purposefully and deliberately for some time. The position we have now reached, with its solid prospect of a fully balanced budget, represents the fruits of carefully designed policies; it is not something that just happened.

That is quite true. It did not happen. The minister's predictions last year were as wrong as his recent praise of a deficit rings hollow. It is true that the minister as a prophet on economic matters still thunders in the best old testament style but few of his prophecies are being fulfilled. So we have learned from experience to take him with several grains of salt when he starts forecasting. Perhaps he will be as bad a prophet this year as in the others. After all, last year he predicted a $12 million surplus which became a $345 million deficit. The reason he gives for that mistake in the white paper is that unfortunately 1960 was a year not of the solid expansion predicted but of adjustment and of special complexity. Indeed, on page 46 of the white paper he finally breaks down and admits that the economy has slowed down since this government took office.

Mr. Pickersgill: Doom and gloom.

Mr. Pearson: So his record of predictions is not a very respectable one. In his budget speech in 1960 the minister made other predictions which in the light of experience have been shown to be away out. We all remember that he said that the gross national product would go up 6 per cent. In fact, we got an increase of 3.2 per cent and only 2 per cent in constant dollars. Yet when I commented in the house on the minister's predictions in my budget speech last year and said that this and certain other predictions were too optimistic, when I said that in my view the increase in the gross national product would more likely be 3.5 per cent—I was a little optimistic—and that there would be serious difficulties in 1960 with regard to unemployment, and when I asked the minister at that time what plans the government had to meet these economic difficulties which we felt were looming up the minister again wrapped the flag around himself and accused us of impugning the honour and reputation of Canada and of selling our country short. Unhappily, Mr. Speaker, we were right and he was wrong.

An hon. Member: Again.

Mr. Pearson: The minister and his colleagues are no scoundrels but patriotism is often their last refuge against argument that cannot be met in any other way. Look at unemployment. The minister said last year that the situation would improve. In fact we know now that the average during 1960 was 7 per cent compared with 6 per cent in 1959. Capital expenditures in 1960 were $8,200 million or 2.6 per cent below 1959. Capital expenditures in this country as a percentage of gross national production were 22.8 per cent, which is the lowest since 1951.

An increase in private investment was forecast by the minister's colleague, the Minister of Trade and Commerce (Mr. Hees), in one of his predictions. He said it would increase 4 per cent whereas in fact it decreased 2.6 per cent. So, Mr. Speaker, how can we have confidence in this government's fiscal policies and in their administration of them when the Minister of Finance can be so wrong in his assessment of economic conditions in this country and of the government's financial accounts?

Even the minister himself no longer has that same buoyant confidence in his predictions of things to come.

Mr. Fleming (Eglinton): Are you sure?

Mr. Pearson: This year he refused to give us a straightforward and clear-cut forecast for the increase in the gross national product in 1961. He is becoming a little more careful

as he goes on because this is what he said as found on page 6640 of *Hansard*:

But this improvement—

He is talking about the expected improvement which we all hope will take place:

—which could be expected in the ordinary course of events and without further stimulus, would, I believe, be modest, an increase of about 3 per cent in the G.N.P.

This is less than last year. So the minister has become, in my opinion, overcautious and that is quite a change. In 1960 which was a recession year, the increase was 3.2 per cent. In 1961, a year in which the Prime Minister and the other ministers tell us that the recession is over, the Minister of Finance predicts a rise of only 3 per cent, less than last year. The minister has become a prophet of doom and gloom.

Mr. Fleming (Eglinton): Oh, no.

Mr. Benidickson: We need at least 6 per cent.

Mr. Pearson: In a year in which he says the recession is over, he only has the confidence to predict an increase in the G.N.P. which is less than last year, a year of recession. How is he going to explain that? He has been telling us that the recession is lifting. If it is lifting we shall surely have in our production next year a greater increase than 3 per cent, which was not enough last year to prevent massive unemployment and slow down.

Why has the minister become so pessimistic and so cautious in his forecasting? I can see one reason and I have a feeling that it is the right reason. The minister wants to be in a position to tell us next year that the actual increase has exceeded his expectations. I can picture him in the house, if he is here then, saying that his expectations were exceeded and that the outcome could be due only to his budget and government policies. The modesty of the minister this year is merely intended to serve as a background for his glorification next year.

Mr. Benidickson: Having been struck out four times.

Mr. Pearson: Next year he may feel will be the year before the election. I am prepared to say this, and although he does not need it I should be glad to give the minister permission now to quote these words a year hence if we are both here. I am prepared to say that the minister will be wrong again this year, but for once and for the only time since he has been minister he will be wrong on the conservative side.

Mr. Fleming (Eglinton): The hon. gentleman is hedging now.

[Mr. Pearson.]

Mr. Pearson: In spite of the government's lack of effective policies and because of the hard work of our people, because of price increases—and I shall have something to say about their probability later—because of the resilience of our economy and because of business improvement across the line, I believe that the gross national product in current dollars will be higher than that estimated by the minister.

Mr. Benidickson: There is statesmanship for you; not politics.

Mr. Fleming (Eglinton): Oh, oh.

Mr. Pearson: I am also prepared to say that the average level of unemployment in 1961, in spite of the minister's claim will be at least as high as that in 1960 and in spite of the minister's claim that there is nothing structurally wrong with our economy. The minister has been converted in another respect.

Mr. Benidickson: Somersaults.

Mr. Pearson: He is making a good many trips to the penitent's bench these days.

Mr. Martin (Essex East): He should do so.

Mr. Pearson: We all remember how he used to lecture us in this house and how Mr. Coyne used to lecture us also in the country in sombre terms about the dangers of uncontrolled expansion and inflation, and this at a time when we were in the midst of a recession with massive unemployment. Now that we are told that we are out of the recession and that we are on the road to full recovery and expansion again, as the Prime Minister keeps on assuring us, in this situation, which should result in an increase of inflationary pressure, the minister now tells us that any serious danger of inflation has disappeared. I had better quote him. I think these words have already been put on the record. As found at page 6649 of *Hansard* he said this:

I do not think that we are in any serious danger of inflation under present circumstances, with so much unused capacity in our economy. A decline in the exchange rate will mean modest price advances for some of the goods we obtain from abroad as well as some of our export commodities. I am confident, however, that if under present conditions of unused economic capacity there is any effect on consumer prices and the cost of living—

And he used these words again last night.

—these will be minimal.

I suppose that means practically not noticeable. I believe that when the minister presents his next annual budget, he will have to admit that he has been wrong here, that prices will start to rise again—indeed they are starting already—and that inflation will

be, in the present circumstances, a real danger, as it was in the booming mid fifties. But the great difference with that earlier period will be that the rise in prices now will be largely due to government policies and will be accompanied by unused capacity and abnormal unemployment, whereas in that earlier period it was caused by shortages and bottlenecks in the private sector of our economy. Last year the minister overestimated the rise in the G.N.P. and the danger of inflation. This year I think he has underestimated both.

There is an even more spectacular conversion of the minister. This is his conversion to the virtues of deficit financing.

Mr. Martin (Essex East): A planned deficit.

Mr. Pearson: The threat of yesterday has become the opportunity of today. The economic threat of yesterday has become the political opportunity of today. Listen to this excerpt from his budget speech, from this always flexible but now expanding minister. As found at page 6642 of *Hansard* he said this:

> When there is a substantial degree of slackness in the economy... budget deficits can provide an important stimulus... If appropriately planned and timed—

Then he says: in present circumstances a sizeable deficit will help to stimulate the economy.

Mr. Benidickson: A year too late.

Mr. Pearson: Why did the minister not talk like this and act on this talk in those earlier years when a deficit in an emergency situation for stimulating the economy and planned for that purpose would have been of such great value.

Mr. Benidickson: He did not see it.

Mr. Pearson: The minister now says that if we quarrel with his conversion to deficit financing we are contradicting ourselves. He went to some lengths to prove this or in attempting to prove this last evening. Our position on this matter has not changed. No one likes going into debt, or he should not like going into debt either personally or nationally. However, when you are in trouble, borrowing can be essential to get you out of trouble but only for that purpose. If it achieves that purpose, then you stop borrowing and begin to put something by, if you are wise, for the next rainy day. But the minister now says we are out of trouble or soon will be out of trouble but we are going to borrow more than ever. The minister in this respect is not contradicting others as he accused me of doing last night. He is contradicting himself, something which is worse.

May I now say a few words about the budget itself, and about the policies that are put forward in the budget. The budget contains several policy announcements but, of course, it is also remarkable for its omissions. There is nothing in the budget for agriculture. Does that mean that the wheat producers will not even get this year the $1 per acre payment they received last year, the virtues of which the Prime Minister was preaching yesterday on the prairies? Does this mean, also, that the government claims that eastern farmers have no problems and do not have to face serious difficulties, at a time when their income continues to decline?

There is nothing in the budget to assist the long range development and short range unemployment difficulties of the Atlantic provinces. Surely the government must now realize that its provision for double depreciation is completely inadequate and in its application much too restrictive, if I may use that word, to do the job. If we want to remove the hardship of unemployment and stagnation; if we want our economy to get moving again, we must begin by effective means of assistance—if I may use the expression without being misunderstood—for our economically depressed areas. So far as the opposition are concerned, we have insisted since 1958 on the urgent necessity of remedying this situation of regional chronic unemployment.

In March, 1961, for instance, I put forward in this house a six point program of regional recovery. We had a two day debate on this important matter at that time. But the government, in spite of the most solemn promises which it made in 1958, has refused to do anything adequate for the development of the Atlantic provinces or other underdeveloped areas in this country.

What about trade policy? The Minister of Finance told us a few days before the budget —and somewhat surprisingly because of his record—that he was in favour of an expansionist trade policy. He devoted quite a long section of his budget speech to trade matters, but it was the old lecture. Canada, he said, would continue to adhere to GATT and to respect her international obligations. He suggested at least, if he did not say so in precise terms, that those of us on this side who were advocating proposals looking for an Atlantic free trade area which would be open to any country in the world to enter on the terms which were applicable to the others, were advocating a kind of restrictionist bilateral approach to trade problems. Not at all. This is the way to approach multilateral trade in the present circumstances.

The minister then said this. This is the only indication of his understanding this particular problem:

We shall, of course, have to adapt to changes in the world around us and be alert and flexible in meeting new challenges and opportunities as they arise. For the present at least the situation is much too unsettled to consider seriously a sharp reorientation in our policies along these lines.

In other words, let us wait and see. Let us change our policy, if necessary, only after other countries change theirs and when it may be too late to safeguard, let alone promote, our own interests. What a revealing Conservative attitude: We will not promote necessary change but we will adapt to the changes which are being made by others which are forced upon us. In this connection I would draw attention to Europe. Where is the positive, dynamic and imaginative trade policy that our country so urgently and so badly needs at this time?

I now come, Mr. Speaker, to the budget proposals which will, according to the minister, transform our recent toils and trials to new triumphs. They can be divided into four main categories. I shall say only a few words about each. There is the exchange rate policy, debt management and interest rates policies, fiscal policy including tax changes, and the deficit.

First the exchange rate policy, about which there has been a good deal said by hon. members on this side of the house. I do not think we need apologize for that because this is certainly one of the most important features of the budget. The minister has at last come to the conclusion that the high premium on the Canadian dollar was hurting our economy. He is now prepared, with all the risks involved—some of which were pointed out by my hon. friend from Essex East this afternoon—to see the exchange fund used to bring down the exchange rate of our dollar. The words he used—and these are the words which cause us so much uneasiness—were to bring the dollar down "to a significant discount".

On this side of the house we have been deploring the high premium on the Canadian dollar since the recession of 1957-58 and we have been steadily advocating appropriate remedial government policies. Notwithstanding what the minister tried to say last evening in accusing us of contradicting ourselves, we still support that view. But the minister has certainly drastically changed his view. Last year—and I think these words were quoted this afternoon—he deplored the high premium, but he claimed that it resulted from "the free play of forces of supply and demand", and he strongly opposed an arbitrary and artificial attempt by the government to work against basic economic forces.

Well, what is he doing now? He had this to say, as reported at page 2673 of *Hansard*:

[Mr. Pearson.]

An attempt by the government artificially to lower the external price of the Canadian dollar would involve borrowing or raising by taxes very large sums of money with which to buy up foreign exchange.

Then a little later:

In other words we would be embarking upon a gigantic financial speculation with no assurance of success.

Mr. Speaker, that is exactly what the minister is doing now. He is proposing to do just that, to use the exchange fund in "an arbitrary and artificial attempt by the government" to bring about a "significant discount". This was a late conversion by the minister, but we are always glad to see him make progress in understanding and wisdom. But we disagree with the uncertainty of his goal and the danger of speculation which will be created by that uncertainty. We disagree, as has already been pointed out on this side of the house, with the methods he proposes to use in order to reach that goal, if indeed it is a goal at all.

By refusing to define what he means by a "significant discount", the minister will certainly create uncertainty and confusion, if he has not already done so, which surely can only adversely affect our external financial transactions. What is a significant discount—3 per cent, 5 per cent, 10 per cent, or more? Nobody knows. What a wonderful opportunity for gambling.

Mr. Martin (Essex East): The worst kind of speculation.

Mr. Pearson: The minister wants to control the price of our dollar arbitrarily but he does not know where he wants it to be. He will not disclose the discount he wishes to achieve. What could be more arbitrary and artificial than that approach? The significant discount could be 3 per cent one week and I suppose it could be 5 per cent the following week, these figures to be maintained not by market action but presumably by governmental action. How can our exporters and importers carry on their business on that basis, with the constant threat of governmental interference with market forces but with no fixed objective to be attained by that intervention? Surely that is another example of wrong and arbitrary use of ministerial authority.

The elimination of the premium on the Canadian dollar is certainly a worth-while objective. We have been saying that on this side of the house for a long time. It should have been sought long ago. Our trading partners and competitors would then have undoubtedly understood our position and accepted such a move. But to seek to achieve a significant but undetermined discount now through arbitrary governmental action of the

nature proposed by the minister, when we have no currency difficulties, is something very different indeed.

The government is trying to secure through exchange fund operations advantages and benefits which it was not able to secure through tariff and trade negotiations. We are also, presumably, going to try through this kind of action to give greater protection to our domestic industries because we are unable directly to increase tariffs generally due to our international obligations under GATT. The minister has pointed out that we must remain true to them, and I agree. What would happen to international trade and ordinary financial transactions in the world if all other nations were doing what our government is now proposing to do? In so doing, the minister certainly violates the spirit of GATT although in another part of his speech he proclaimed that Canada—and I have quoted this already—must remain a law abiding member of the international financial and commercial community.

What about our position in relation to the international monetary fund? Surely this must be giving the minister some cause for worry.

Mr. Fleming (Eglinton): No.

Mr. Pearson: Well, the hon. gentleman should be worrying about it. While other nations have a fixed exchange rate which they cannot change without the approval of the fund, Canada has been able to avoid this rigidity because we have been willing to let market forces determine our floating exchange rate. What will happen now? Can we be the only member of the fund which can devalue its currency through government action without having an obligation to seek the approval of the other members of the fund? Why should Canada be placed in this preferred position? Perhaps the minister would explain that. It must also be pointed out that this significant devaluation of the Canadian dollar will have certain adverse effects. It will have certain advantageous effects, too, of course, in so far as it will benefit our exporters. If it does that, and the benefits are maintained, that is all to the good. But it will impose—and the minister will surely not deny this—an additional financial burden on the provinces and municipalities which in recent years have been forced to borrow on the American market because of tight money conditions and the high interest rates prevailing in our own economy. Moreover, producers and consumers will also suffer to the extent that they rely on imported goods the prices of which, if they are imported from the United States, will go up.

When the minister last year referred to the high premium on the Canadian dollar he had this to say, and I think these words were quoted by my hon. friend from Essex East:

> On the other hand it—

That is, lowering the premium on the dollar.

> —lowers the cost of imported raw materials and semi-finished goods used by manufacturers. It has helped to keep down our cost of living and the cost of producing.

It has helped, he said, to keep down our cost of living. The minister now reverses that policy. Does he deny, then, that one effect of this reversal might be to help to increase the cost of living?

Mr. Fleming (Eglinton): Conditions are different now.

Mr. Pearson: That is true. I have just said that. Conditions are different in the sense that we are told—and I hope it is right—that we are getting out of the recession. If we are getting out of the recession then our productive capacity is being more and more used and in these circumstances inflationary pressures will be stronger and this kind of exchange action should have a greater effect on the cost of living than it would have had if it had been taken earlier.

The minister has deplored the high level of capital inflow in recent years. He deplored —and I can understand his anxiety because it is one we all share—foreign control and particularly United States control over our industries. He referred to this in his budget speech as reported at page 6645 of *Hansard*. But that process of foreign capital moving into this country and investing in and taking over our industries will be easier by reason of this exchange action. A significant devaluation of the Canadian dollar will inevitably depreciate the value of Canadian assets in terms of the American dollar and it will give an additional inducement and an additional advantage to American investors as opposed to Canadian investors to purchase existing Canadian firms and do the very thing the minister says he is trying to prevent.

Now we come to debt management and interest rates. The minister, who is the very model of inconsistency, had this to say about interest rates on February 21, 1961. That is not very long ago. He said:

> Lest the impression be created in the minds of some hon. members that the government has brought about high interest rates let me point out that interest rates in this country, while they are higher than the government would like to see on borrowings it has to make are lower than the interest rates in the United Kingdom and have been close to the 1960 rates of interest in the United States, the country which is the largest reservoir of capital in the world and whose rates traditionally are lower than interest rates in Canada.

That statement appears at page 2267 of *Hansard*. What does the minister say now? What did he say the other evening in this house as reported at page 6645?

—interest rates in Canada are out of line with those in the United States and some of the European capital exporting countries. We should like to see these spreads narrowed.

Well, I am not aware and I doubt if the minister is aware that those spreads have widened since February.

Mr. Fleming (Eglinton): Yes, they have.

Mr. Pearson: At that time, according to the minister, they did not exist or they were normal.

Mr. Fleming (Eglinton): They have widened since.

Mr. Pearson: In any case, the minister is telling us that he is now in favour of lowering interest rates, another conversion that comes a little late. The lowering of interest rates and easier credit should have been initiated long before now. But the minister in those days said he was fighting inflation. That, according to him, was the primary danger and his sermon was based on the theme of work and save, down with the demon of inflation. He wanted expansion, of course. We all wanted expansion. But he was worried about the kind of expansion we might get and its effect on inflation. Well, the minister in his budget now is giving to the government a set of conflicting policy objectives. I think it is easy to demonstrate this.

What about the demand for funds? This, in the months, ahead, would certainly have an effect on interest rates. If, as we are continually being told, the Canadian economy is on the road to recovery, private demands for loans will inevitably increase. Moreover, all the provinces and a great number of municipalities have already announced that they are planning for cash deficits in 1961 and 1962 and their demands for funds or their borrowing requirements will undoubtedly be heavy. Finally, according to the minister's own estimates, the new borrowing requirements of the federal government are likely to exceed $1 billion, a fact which now gives the hon. gentleman more comfort than the concern it used to give him if we can interpret his remarks last night. This means, surely, that the demand for funds is likely to increase rapidly in this country during the latter part of the current fiscal year. The decision announced by the minister with respect to debt management—and he put forward these figures as a mitigating force which will neutralize, perhaps, in his mind, this danger—will not do very much to curb this demand, or to reduce the pressures which are likely to be exerted on our financial markets. The intention, and I use the words of the minister, "to confine new federal market issues for at least the next several months to the 'short end' of the market", is supposed to be one of the things that will save us. That, of course, is not new. Since the great conversion loan most of the borrowings of the federal government have been, I believe, of a short term nature. The change to be made in the portfolio of the unemployment insurance fund is not likely to have any material effect at a time when, we are told and we hope, disbursements will now begin to be in better balance with the revenue of the fund. That is the only possible explanation one can give to the government's refusal to do anything about the fund. Finally, there is the establishment of a purchase fund of $100 million—I do not know where that is coming from—for the orderly retirement of government debt. This cannot possibly have any material influence on the market during the current fiscal year.

So much for demands. Now, what about the supply of funds to meet these rapidly increasing demands and the effect this will have on the minister's policy of trying to get interest rates down. The three main sources of supply are the savings of the Canadian people, the net capital inflow from abroad and changes in the money supply. The minister admitted the other night that the rate of Canadian savings is—I have not got his exact words—already high and reasonably satisfactory and this source of supply is not likely to increase very much with a mild recovery. In any event, he did not hold out any exaggerated—

Mr. Fleming (Eglinton): I did not say the latter part of that sentence.

Mr. Pearson: Well, I will adopt the latter part as my own words, that supply from this source is not likely to increase very much with a mild recovery.

The second source is capital inflow. The government wants a lower level of capital inflow and has already taken steps to bring that about. Finally, the minister has ruled out, and rightly so, the possibility of a rapid increase in the money supply. I hope that in the face of all the pressure which will begin to develop he will stick to this. The minister said, as reported at page 6645 of *Hansard*:

It would be folly, for example, to attempt drastically and artificially to force interest rates down by irresponsible increases in the money supply. Such a device would be not only unsound but before long would prove to be self-defeating.

He is certainly right in that.

Mr. Fleming (Eglinton): Would you mind reading the next sentence?

Mr. Pearson: I would be delighted to read the next sentence, but I have not got it here. Perhaps if I am unfair to the minister he would give me the next sentence, because I am sure he would remember it.

Under such conditions of supply and demand we would expect higher, not lower, interest rates and tight, not easier, money. Yet the minister says that he wants—and I have no doubt he does want—to reduce interest rates and to bring about improvements in our capital markets which will be of direct benefit to the provinces, municipalities, business and other borrowers. That was, he claims, one of the main reasons why he found it necessary to get rid of the governor of the Bank of Canada. It will be interesting to see how the minister will achieve all these conflicting objectives he has now indicated. I predict that if economic conditions develop as he has indicated, and if he respects all his other commitments, as he will no doubt desire to do, he will not be able to reduce interest rates or to maintain the money supply at a responsible level as he promised.

We come now to fiscal policies.

Mr. Fleming (Eglinton): I can give the Leader of the Opposition the page now; the second column of page 6645, beginning with the words, "We attach".

Mr. Pearson: I think I had better read it because I do not believe the minister should be quoted in part.

We attach high importance to a climate of confidence and understanding in our financial markets. What is required is a judicious and well coordinated combination of fiscal, monetary and general economic measures, the elements of which vary in acordance with the needs of the times.

That is an admirable doctrine. I am certainly glad to repeat that because the minister emphasizes the desirability and necessity of co-ordinating fiscal and monetary policy. It was not very long ago that the minister was saying he had no responsibility for monetary policy. He now says that in an effort to reduce interest rates and get easier money it is absolutely vital that there is a co-ordination of fiscal, economic and monetary policies. This co-ordination can now be brought about by a government which refused to take responsibility for monetary policy.

I come to fiscal policy and, in particular, to the tax changes which normally would constitute the proof of the minister's claim that this is indeed an expansionist budget. The tax reductions, as we have so often been told in this debate, in the current year will amount to $65 million. Of this $65 million, $55 million will come from the elimination of the excise tax on automobiles. I am not going to deal with that because the hon. member for Essex East, who is primarily responsible for the removal of this excise tax, has dealt with it in some detail and pointed out that the benefits which it is hoped will come from the removal of the tax will be modified by certain circumstances which have arisen, including the sales tax in Ontario, the reduction of the exchange rate which will increase the value of imports and the reduction of the allowance for secondhand cars.

However, taking that $55 million out of the $65 million of tax reduction, what have we left? We have $10 million in tax reductions. Surely, we are not going to get a miracle of expansion from this. If that is the measure of the so-called expansionist fiscal policies of the minister, he certainly misled the Canadian people when he made his statement in the house on June 14 about a budget which was meant to be so sensational but which was, in fact, such an anti-climax. We on this side have recommended on more than one occasion during recent years that tax incentives, including specific tax exemptions and reductions, be used to promote a healthy economic development in our country, particularly in a time of recession when the economy has to get a shot in the arm for expansion purposes. The objectives sought by the minister in proposing tax changes in this budget affecting business are sound and sensible, although again they are too late in terms of our economic condition.

However, the methods which he puts forward, as is so often the case when his principles are sound, are completely inadequate and ineffective. Let us consider the technique of accelerated depreciation about which he has made so much. When applied within the limit of capital cost allowances not exceeding 100 per cent, this measure can at best be useful as an anti-recession measure only in persuading business to accelerate its investment program but it cannot induce industry to increase and enlarge such programs. The reason, of course, is that accelerated depreciation, applied within the limited context of 100 per cent capital cost allowance, merely means a deferred tax payment. This is precisely what is wrong with the minister's tax proposal. He wants to use a device which can induce business to re-schedule its investment plan in the short run, and that may be desirable, to promote long term industrial development and to stimulate economic expansion. In spite of the minister's claims for this proposal, the only objective conclusion to be drawn is

that the proposed tax changes will have very little effect indeed on the rate of growth of Canada's economy.

We are, therefore, left with a deficit as the real shot in the arm for the economy, a deficit which includes $65 million of tax reduction of which $55 million comes from the removal of the excise tax on automobiles. The minister has told us that he does not know what this deficit is going to be. It might be $600 million, it might be $650 million or it might be $700 million. He sort of hit a medium amount between $600 million and $700 million and suggested it may be $650 million. One thing is sure. According to the minister his deficit was planned. He repeated last night that it is a planned deficit this time, and it is timely. It has come just at the right time.

Mr. Benidickson: Everything at the right time.

Mr. Pearson: Well, the deficit of course was not planned at all. The best evidence of this is that it was forecast months ago by the Canadian tax foundation. Were they planning the deficit for the minister? There is no more planning for expansionist purposes in this deficit than there was for last year's deficit which began as a surplus and ended as a deficit of $345 million. It might not have been quite so high if it had not been for Good Friday.

Surely the minister cannot contend that this was a planned deficit. On top of the deficit, the estimates prepared in the fall of 1960 involved an increase of $383 million as compared with the main estimates of 1960-61. According to the minister when he tabled those estimates on January 26, I think it was, of last year, what accounted for this increase? The minister at that time indicated—and I think he had something to say about this last night—that the two main factors accounting for the increase in the estimates were civil service salaries and conditional payments to the provinces, especially to Quebec for the hospitalization plan. As we see it, Mr. Speaker, such increased expenditures could hardly have been planned to meet the economic conditions. Assuming no increase in revenues in 1961-62, as compared with 1960-61, rising expenditures added to the deficit of $345 million last year would have produced in the current year a deficit of $728 million, which is very close to the estimate given by the minister.

So much for planning. On the revenue side the minister expects an increase in 1961-62 of only $150 million. While he announced tax reductions valued at $65 million it remains true to say that the lack of growth in revenue is mainly due to the recent recession and to the current stagnation. On the basis of this evidence, it is clear that the minister shows no respect for himself or for the facts when he claims that he planned the deficit this year to bring about expansion.

We also claim, contrary to what the minister has said, that this deficit is badly timed as well as being not expansionist. We are told by the minister, we are told by the Prime Minister and by the Minister of Trade and Commerce ad nauseam, that 1961 will be a year of recovery. We hope it will be. In terms of cyclical pattern, therefore, this year should be compared with 1959 as a year of recovery, while 1958 should be compared with 1960 as a low point in the recession. I think the minister will agree with that. What do we get now in terms of government policies in a year of cyclical recovery but when our structural and long term problems are becoming more evident? In spite of the evidence of recovery we get not an expansion but an antirecession program, with a record, unplanned, peacetime deficit brought about by increased fixed expenditures, which will create inflationary pressures but with no effective measures to deal with the long term structural problems and above all our chronic unemployment. This is why we claim this budget is ineffective and inadequate.

In conclusion, Mr. Speaker, I will sum up our criticism of government economic policies as expressed in this budget and in the minister's statement.

First, we believe that those economic policies are ill-timed, confused and inconsistent.

Second, we believe that the measures proposed by the minister to bring about an uncertain but a "significant" depreciation of the Canadian dollar are not likely to achieve the results that are hoped for and are fraught with danger.

Third, in the field of monetary and debt management policy, the government will have to choose between lower interest rates and a sound increase in the money supply. It will not be able to achieve those two objectives at the same time, especially if it succeeds in reducing foreign capital inflow.

Fourth, the tax incentives provided in the budget will not succeed in bringing the balanced long term growth which is now essential.

Fifth, the government's fiscal policy, as outlined, is not suited for a period of recovery on which it is based and it is not designed to meet the structural problems of the Canadian economy.

Sixth, the fiscal deal with the provinces greatly weakens the principle of equalization and will result in growing regional inequalities which are bound to weaken our federal system.

Seventh, the budget provides no special development assistance to the Atlantic provinces and other areas of underdevelopment and over unemployment.

Finally, in the field of trade policy, the government maintains its creeping protectionism but refuses to face the challenge created by the emergence of new and important trading blocs in the world. In other words, this budget contains a few good measures but they are too little and too late, and they are not capable of dealing with the problem in this country as it should be dealt with at this time.

Many people in this country now agree that this government—and how right they are—is drifting, confused and inconsistent; that in four years this Conservative government has created a financial mess without succeeding in solving the serious difficulties experienced by the economy during those four years, the most important evidence of which is the continuance of massive unemployment. All the facts are there and the minister cannot deny them. He cannot deny them through official records.

Since 1957 our gross public debt will have increased by $4.3 billion and our net debt by more than $2 billion; and yet the volume of our gross national product per capita has declined by 5 per cent, and this is an official figure. Unemployment has reached record levels exceeded only during the great depression of the 1930's and agriculture is still facing serious difficulties. These facts are becoming more and more known to the Canadian people in spite of the huge and continuous outflow of Conservative propaganda. Of course, Mr. Speaker, there is no easy way out of the mess which has been created over a period of more than four years.

Mr. Fleming (Eglinton): If there is a mess it goes back a good deal more than four years.

Mr. Pearson: Whenever we talk about the past four years my hon. friend likes to talk about the years previous to those four years. How many people in Canada would love to go back to those years.

Mr. Fleming (Eglinton): Do you want to find out?

Mr. Pearson: We do indeed want to find out.

Mr. Fleming (Eglinton): How soon?

Mr. Pearson: I ask the minister to do his best to influence the Prime Minister to give us the opportunity as soon as possible. Mr. Speaker, more and more people are looking back to those days of steady and businesslike management of our affairs, days of full employment, days of exciting national development, days of great national progress, days when Canada had a great influence in the councils of the world. Our main criticism of this budget, Mr. Speaker, is that it does nothing to give us any hope that those days will be restored.

Mr. Richard A. Bell (Parliamentary Secretary to the Minister of Finance): Mr. Speaker, in incredulous fascination has the house listened this afternoon in the course of the debate to the speech of the hon. member for Essex East (Mr. Martin) and that of the Leader of the Opposition (Mr. Pearson). The big guns of Liberalism have been mustered in a final assault on this budget. Really, sir, I should have said the obsolete big guns of Liberalism, and I refer to the Leader of the Opposition and the even more obsolete and train-catching hon. member for Essex East. For the house is well aware, sir, that the present big guns of Liberalism are that trio of tyros, Gordon, Drury and Sharp, all of whose ideas as presented at the Kingston conference and at the January rally have been repudiated this afternoon by their erstwhile leaders.

Indeed, sir, as I listened with fascination to the Leader of the Opposition the only conclusion I could achieve was that the only consistency of the Leader of the Opposition was his total inconsistency with all previous pronouncements which he has made. That which he and the hon. member for Essex East have previously supported they themselves this afternoon repudiated. That which they have previously attacked they now assert as revealed wisdom.

Throughout the whole afternoon the Leader of the Opposition blew hot and cold. He straddled the fence, indeed, to such an extent that I thought the rust from the barbs of wire would eat right into his soul.

Mr. Pearson: Quotation.

Mr. Bell (Carleton): First, I must deal with the pontifications of the hon. member for Essex East on the subject of the automobile industry. Seldom has the house been treated to such skilful evasion as when he was asked what, if any, recommendations of the Bladen report he approved.

Mr. Pickersgill: Which ones do you approve?

Mr. Bell (Carleton): He squirmed and he wiggled and he evaded.

Mr. Martin (Essex East): You always want to know what we would do but you are the government.

Mr. Bell (Carleton): He did everything but answer. He poses as an expert, but what an expert. Even when he was offered unanimous consent to state his opinions to the house he avoided and evaded the whole issue. This should not surprise the house.

Mr. Martin (Essex East): On a point of order, Mr. Speaker, I did ask for leave of the house to make a second speech but this was denied me and among those who denied me this opportunity was the hon. gentleman who now so unfairly attacks a conscientious member.

Mr. Bell (Carleton): Mr. Speaker, never would I attack the hon. gentleman fairly or unfairly. The hon. member indicated that it would take him 40 minutes to answer a straightforward question which he might have answered in two sentences. He posed and he postured today, and he has on each occasion, as the one responsible for the abolition of the 7½ per cent excise tax on motor vehicles.

An hon. Member: What a laugh.

Mr. Bell (Carleton): What is the record? I want to put that record before the house. According to the Parliamentary Guide, the hon. member for Essex East was sworn in as a cabinet minister on April 18, 1945.

Mr. Fleming (Eglinton): A pretty black day.

Mr. Bell (Carleton): For the following 12 years until the 21st day of June, 1957, he was an integral and very vocal part of the ministry of this country.

Mr. Fleming (Eglinton): He was the whole show.

Mr. Bell (Carleton): What happened to the excise tax on automobiles during that time?

Mr. Martin (Essex East): It was reduced to 15 per cent.

Mr. Bell (Carleton): Oh, let my hon. friend possess his soul in patience because I will put the complete record on *Hansard*.

Mr. Martin (Essex East): I want to help you.

Mr. Bell (Carleton): On that black day of April 18, 1945, when the hon. gentleman was sworn in as a minister the excise tax on automobiles was 10 per cent, and on that happy day in 1957 when he ceased to be a minister what was the excise tax?

Mr. Martin (Essex East): Ten per cent.

Mr. Pearson: We were selling motor cars in those days.

Mr. Bell (Carleton): Yes, 10 per cent. What happened in the meantime? Here is the situation. On the 17th day of November, 1947, which must have been about the time of taxation by radio, what happened to the excise tax? The tax on the first $1,200 of the value of an automobile was raised to 25 per cent and on the next $800 to 50 per cent. On the value of an automobile in excess of $2,000 it was raised to 75 per cent. During that period of time the hon. member was the minister of national health and welfare and he was the member for Essex East professing to represent the automobile industry. Search the pages of *Hansard*, search the pages of the newspapers and see if the hon. gentleman ever raised his voice in protest against that.

Mr. Martin (Essex East): Will my hon. friend permit a question? I was then a member of the government. Was it possible for me to raise in this house a point involving government policy? Will my hon. friend not say, however, that it is generally known that in cabinet I did fight for that industry and for the workers in the automobile industry.

Mr. Bell (Carleton): Now the hon. member tries to violate his oath of secrecy as a cabinet minister and to state in this house what he said around the cabinet table.

Mr. Fleming (Eglinton): Shame.

Mr. Harkness: You did not do it very effectively.

Mr. Bell (Carleton): That is the type of belief my hon. friend and his friend, Mr. Coyne, have in the confidentiality of an oath.

Mr. Martin (Essex East): Let us keep our tempers.

Mr. Bell (Carleton): If the hon. gentleman really believed in this, if he was so sincerely interested in the automobile industry, why did he stay in the government?

Mr. Martin (Essex East): Because it was a good government.

Mr. Bell (Carleton): The reason the hon. gentleman stayed in the government was for the emoluments of office in which he believed more than he did in what he thought were the interests of the automobile industry.

Mr. Martin (Essex East): On a question of privilege, Mr. Speaker—

Mr. Bell (Carleton): Then, on the 31st of July—

Mr. Speaker: Order.

Mr. Martin (Essex East): The hon. gentleman may attack me for my views but the hon. gentleman and no other member of this house can, with justification, attack my devotion to the interests of this country.

Mr. Bell (Carleton): Mr. Speaker, I have not been discussing the hon. gentleman's devotion to his country. I have been discussing his devotion to the automobile industry and may I say that we have heard very little else in the house for the past few days.

Mr. McCleave: Devotion to himself.

Mr. Bell (Carleton): The hon. member's influence was perhaps a little greater after this. It was in ascendency, because on the 31st of July, 1948, the excise tax was reduced to 10 per cent. However, on the 7th of September, 1950, the hon. gentleman was in a decline again.

Mr. Harkness: After the election.

Mr. Bell (Carleton): The tax went up then to 15 per cent. When it was reduced to 10 per cent on the 31st of July, 1948, that was shortly before an election. Soon after the election on the 7th of September, 1950, it was increased to 15 per cent. Then, on the 10th of April, 1951 it was increased to what? Twenty five per cent. Then the hon. gentleman became a little more wonderful in the government for on the 8th of April 1952, it was reduced to 15 per cent. That was in a budget with another election in prospect. Finally, on the 5th of April, 1955—

Mr. Pickersgill: I wonder whether the hon. member would permit a question?

Mr. Bell (Carleton): The hon. gentleman has been up many times. I am confined to 30 minutes and I should like to deal with two speeches that have been made and have taken at least two hours to make. Finally, on the 5th of April, 1955 the tax was reduced to 10 per cent.

That was the up and down, on again, off again Finnegan attitude that the hon. member for Essex East and his colleagues adopted during the years in which they were in power. How he can have the effrontery in this house now to claim parenthood for the reduction, I do not know. I suggest he stands exposed by his own inconsistency. His failures when in power to represent the interests of the automobile industry are exposed by what I have put on the record for all to see. How different indeed are the attitudes of the hon. member for Essex West (Mr. Spencer) and the hon. member for Essex South (Mr. Thrasher) who from the very time they came into this chamber have fought in the interests of the automobile industry.

I was interested in hearing the hon. member for Ottawa West (Mr. McIlraith) speak on the radio and attack the government in sarcastic and scornful tones for not having adopted in full the commercial policy proposals of the Bladen report. How very carefully today his deskmate, the hon. member for Essex East, avoided taking any stand. The hon. member for Ottawa West is the official trade critic for the opposition, and his considered statement was that these proposals of far-reaching importance, vital indeed at this sensitive period in our trading history, should have been implemented without any prior consultations with our trading allies or with industry or with management or with unions. Had the government done so without giving such opportunity for consultation, I think the hon. gentleman would have based his attack upon the allegation that we were recklessly jeopardizing our trading relations. What the government has done in this respect is to act responsibility in these far-reaching proposals. I believe the result of this responsible attitude will be generally beneficial to the automobile industry and to the people of Canada as a whole.

Then, Mr. Speaker, what of the speech of the Leader of the Opposition (Mr. Pearson)? Carefully he avoided most of the significant features of the budget. He talked a great deal of an election. How the very thought of that event must make the hon. gentleman shudder. He was bold in January of 1958 when he challenged this government to an election. Oh, how confident he was on January 20, 1958. What was the result? The result was the decimation of his party. Look at the serried ranks of Liberalism opposite.

Mr. Bell (Saint John-Albert): Look at the front row.

An hon. Member: Look at the quality.

Mr. Bell (Carleton): Then on the eve of the recent four by-elections what did the hon. gentleman and his new organizer predict? They predicted a clean sweep.

Mr. Benidickson: We received a majority vote.

Mr. Bell (Carleton): What a prophet and what a son of a prophet he was.

Mr. Pearson: A son of a what?

An hon. Member: A prophet.

Mr. Bell (Carleton): The result of that clean sweep was three to one, and three to one it still is.

The whole speech of the Leader of the Opposition I thought was one of the better examples of Lamontagne phrase making but it carefully avoided any stand on any kind of issue, for all issues he evaded and straddled.

Oh, no, there was one thing on which he seemed to get steady. He seemed to get steady on the Arrow. He opposed the new and most satisfactory deal recently made with the

United States. This house and this country do not agree with the point of view which the hon. gentleman expressed. I believe that is a most satisfactory arrangement and one which will earn the commendation of the people of this country.

Mr. Hellyer: That is just the hon. member's opinion.

Mr. Bell (Carleton): Oh, yes; I took down a phrase, "confusion, indecision and delay". That is what he asserts. He relates that phrase to the most comprehensive, realistic and expansionist budget in our history. That is the test of the hon. gentleman's judgment and of his economic reasoning. He had scorn for the deficit. It is not an expansionist deficit, he said. If it is not an expansionist deficit, what is it? He carefully avoided saying.

On television, as I hear, he very freely admitted that in the unhappy event he had been on the treasury benches this last year, there would have been a deficit and a very large one. Oh, he favours a deficit but not one which is achieved by the far-reaching policies of this government.

As was so carefully pointed out by the Minister of Finance yesterday, there are only two ways in which to avoid a deficit. The first is to reduce expenditures such as expenditures for social justice payments. Does the hon. gentleman wish us to reduce any of these expenditures that this government has increased with respect to the various social justice payments? Does he want us to reduce the payments made to the provinces which this government, in fact, has doubled since 1957? What would he wish us to reduce?

Mr. Hellyer: The interest on the debt.

Mr. Pearson: I will answer the hon. member's question, Mr. Speaker.

Mr. Bell (Carleton): My hon. friend has had an hour and a half this afternoon. He has had all the time he required and I do not want him to use any of mine.

Mr. Pearson: I was only going to answer the question asked by the hon. gentleman.

Mr. Bell (Carleton): May I say to the hon. gentleman that at the present time silence for him would not only be golden but unusual.

An hon. Member: You are asking a rhetorical question.

Mr. Pearson: Do not ask me questions.

Mr. Bell (Carleton): The second way in which to avoid a deficit is to raise taxes. Does my hon. friend stand with his friend Jim Coyne in favouring a massive increase in taxes? Does he want a 3 per cent increase in income and corporate taxes? Does he stand for this new national development tax to raise $300 million or $400 million as his friend Mr. Coyne, under the urging of the hon. member for Bonavista-Twillingate (Mr. Pickersgill), now advocates? Does he favour increases in taxes on cigarettes and liquor as Coyne does? Does he stand with Coyne in the matter of increases in taxes or is he against Coyne?

I myself thought the most unusual thing the hon. gentleman said was this. He said the minister has become a prophet of gloom and doom. What a laugh that was. The test of the hon. gentleman's judgment is just in that phrase. This government, on the eve of the 94th birthday of Canada, is filled with confidence in Canada's future and the greatest of hopes and expectations under the progressive and realistic policies of this government.

Mr. Benidickson: After being asleep for four years.

Mr. Bell (Carleton): The predictions of the Minister of Finance, said the Leader of the Opposition, erred on the conservative side. By that I assume he meant that the predictions will be exceeded. What interpretation can the house put on this comment? Surely the only interpretation that it can put on it is that the policies in the budget will have an even more significant and salutary effect or impact upon the economy than that which even the Minister of Finance himself predicted. If that be the case—and what other interpretation can one take from what the Leader of the Opposition said?—then what greater commendation of the budget can there be? I invite the hon. gentleman to support the budget which will be, in his opinion, so satisfactory and as to which the predictions are, as he says, on the conservative side.

Of all the spurious arguments that the hon. gentleman advanced at any time, I thought the most spurious one was that in which he dealt with the Atlantic provinces. Hon. members from the Atlantic provinces will be able to bring the hon. gentleman up to date. They will be able to tell him what this government has done for those provinces in the Atlantic provinces grants and in the increases of $10 million in the latest proposal to the provinces. For 22 years the maritimes were wholly neglected by hon. gentlemen opposite. The advent of this government spelled a new era for the Atlantic provinces. I believe that those provinces will show to my hon. friend just how they have reacted to the sort of treatment they have secured in this new era under this new goverment.

Then the Leader of the Opposition spoke of the exchange on the Canadian dollar. In everything he said I thought he was totally

inconsistent, not only with Walter Gordon but really with himself and with everything that he had previously said on the subject. Indeed, I thought his comments were an almost incredible contradiction of the January Liberal rally. Is he for or against the use of the exchange fund? He did not say. He just straddled the fence. Again he tried to get himself into a position in which, whatever happens, he would have on the record some phrases so that he could say "I told you so". That, I submit to the house, is not the course of statesmanship. The house would admire him more if he would make up his mind, take a stand and "stay put". To get on both sides of every issue is not the approach the Canadian people expect of a responsible political leader.

One might go on indefinitely to speak of the speech of the Leader of the Opposition and of all its contradictions and extravagant exaggerations. However, all I wish to say is this. His conclusions were based upon false premises and each of the premises was contradictory of most of his previous assertions. He said there were conflicting objectives in the budget. I throw that statement back at him. I say that this budget is an integral part of a responsible, cohesive program of fiscal, monetary and commercial policy. I say that it has already made a massive start towards the achievement of its objectives. When this house tomorrow, I hope, makes it possible for us to get the co-operation of the Bank of Canada and to place a strong figure in the position of governor of the Bank of Canada, I believe there will be an even greater spurt towards the achievement of those objectives.

In his final words the hon. gentleman said something about the growth in per capita debt. I have dealt with this matter on other occasions in the house. The hon. gentleman so carefully avoided saying anything about the net per capita debt and about our ability to pay.

Mr. Benidickson: Every baby born shares the debt.

Mr. Bell (Carleton): Oh, Mr. Speaker, from his seat the hon. gentleman, my old friend from Kenora-Rainy River, keeps mumbling. I confess I cannot hear what he is saying, though what he says occasionally succeeds in getting on *Hansard*.

Mr. Benidickson: I said, every baby born shares the debt.

Mr. Bell (Carleton): If the hon. gentleman would contain himself in silence for a while, it would be appreciated. Yesterday afternoon the Minister of Finance set forth in a table at page 7220 of *Hansard* the precise position with respect to the net per capita debt; the fact that it is considerably lower today than it was in 1950; that the net debt expressed as a percentage of gross national product has been consistently dropping since this government came into power. Whereas in 1950 the net debt expressed as a percentage of gross national product was 70.7 and in 1956 it was 41.6, today it is 34.6. That, sir, is the real test. It is the test of our capacity to pay. As I mentioned in my earlier speech on the budget, the braintrusters of the hon. gentlemen opposite do not agree in any way with the attitude they have taken.

Obviously this budget cannot be analysed in isolation from other government policies. It does not exist in a vacuum, insulated from the other measures proposed to parliament this session. It is part of a cohesive, integrated, positive program of action designed in a massive way to stimulate production, promote economic recovery, expand employment, develop resources and promote our external trade opportunities. The provisions of the supplementary budget have already had a significant impact on the encouragement of more effective use of Canadian savings in the development of our resources and in the improvement of our balance of payments situation. Decidedly the trends have all been in the right direction, although they have not proceeded far enough.

Our exports in the year 1960 reached the highest point in our history, and what is not too generally known is that our deficit in external commodity trade last year was much less than one quarter of the peak level of 1956, the last full year during which hon. gentlemen opposite occupied the treasury benches.

Mr. Benidickson: And the gross national product took the biggest dive we have had since the war.

Mr. Bell (Carleton): Mr. Speaker, I again hear some type of remark from my hon. friend from Kenora-Rainy River. If the hon. gentleman has anything to say, I wish he would rise and say it.

Mr. Pearson: You won't let us.

Mr. Bell (Carleton): In 1956 our commodity deficit was $728 million. In 1960 it was of the order of $150 million, and the hope is that 1961 may see, for the first time in many years, a surplus on external commodity account.

Sir, at this session parliament has enacted legislation to provide new assistance to housing, including urban renewal and slum clearance, loans for university residences, loans and write-off for municipal sewage installations, new and vitally important capital and maintenance aid for vocational training,

small business loans, a program of agricultural rehabilitation and development, increases in veterans pensions and allowances, advances in export credits, to mention but the highlights of the sessional bill of fare.

As I have said, these are each an integral part of a cohesive economic policy and program of real action. The Leader of the Opposition cannot assert, and he has carefully avoided asserting, that there is any other country in the western world which has adopted a program of economic and social action in any way comparable in extent, depth and impact to that which has been presented this session to parliament by this government.

Mr. Benidickson: Why is it the only one that has flopped in the western world?

Mr. Bell (Carleton): Mr. Speaker, this budget constitutes part of that program. This budget deserves the support of the house. It deserves, and I believe it will receive, the support of the country.

Mr. Azellus Denis (St. Denis): Mr. Speaker, did you notice that the hon. member who has just spoken is very nervous, as are, I suppose, all Conservative members at the present time? He is almost as nervous as the Conservative members from the province of Quebec.

An hon. Member: You would make anybody nervous.

Mr. Denis: Perhaps it is because he comes from the province of Ontario, where there has been a by-election recently, where a Conservative majority of 3,530 in 1958 melted and changed into a golden Liberal victory of 2,548 according to an early report of the election results. When the hon. member speaks of a three to one victory, I would ask him to bear in mind what I have just said. I think the hon. member is all wrong.

Is he aware that in Kings a Conservative majority of 1,100 has melted to a small majority of 165. Is that the three to one victory referred to by the hon. member who has just spoken? Is he aware that in Esquimalt-Saanich, a Conservative majority of over 14,000 has melted into a small majority of 700?

Mr. Drysdale: What do you want—a consolation prize?

Mr. Denis: Was that a three to one victory for the Conservative party?

Mr. Fleming (Eglinton): Your figures are wrong.

An hon. Member: Three to one.

Mr. Denis: In Restigouche-Madawaska a Conservative majority in 1958 of 4,000 melted into a small majority of 900. Is that a three to one victory for the Conservative party?

Mr. Drysdale: Yes.

Mr. Denis: I would say that if we do not have a general election at this time it is on account of the four by-elections. I am not surprised that the hon. gentleman is very nervous. He even complains because we are using our big guns in order to fight the present budget.

An hon. Member: Do you consider yourself a big gun?

Mr. Drysdale: Popguns.

Mr. Denis: This is a free democracy. I do not include myself in the big gun category, but I do not think the parliamentary secretary contends that he is a big gun in the Conservative ranks. Since the beginning of the discussion of the budget we have heard from the Conservative ranks only water pistols.

Mr. Fleming (Eglinton): Now we are getting the blunderbuss.

Mr. Denis: Why? To defend a bad budget.

(Translation):

Mr. Speaker, let me rather commend the Leader of the Opposition (Mr. Pearson) for his masterful speech. I am sure the people are only waiting for an opportunity, through a general election, to show their appreciation for the leader of the Liberal party and to take advantage of his competence not in the capacity of Leader of the Opposition, but as prime minister of Canada, to remedy the administration of the present government which has been running the country so badly for four years.

Mr. Speaker, I also wish to commend the hon. member for Essex East (Mr. Martin) for his great victory in relation to the budget. In fact, he has been able to persuade the Conservatives to remove the 7½ per cent excise tax on cars. However, as he has indicated, this removal of the tax comes too late, because the season is too far advanced.

I understand that the removal of this tax was designed to provide jobs for the unemployed, in view of the unemployment situation created by the Conservative party in the city of Windsor.

It will take more than a year before those unemployed workers can return to their jobs. Had the tax been removed two or three years ago, the citizens of Windsor who are now unemployed would not have to go back to their jobs, because they would already be there, and we would not see in the province of Quebec and in the other provinces the foreign cars which are displacing Canadian cars. Those cars came into Canada

as a result of the trade mission led by the present Minister of Veterans Affairs (Mr. Churchill), and it seems that our trade commissioners were less interested in selling Canadian cars than in buying cars abroad.

An hon. Member: Why did your own party not remove this tax in 1956?

Mr. Denis: Mr. Speaker, it seems that this budget is an effort to repair the damage done by the government, but unfortunately, some of the damage will remain. Happily, the Canadian people will not have to wait too long to rid themselves of the present government's sloppy administration.

Mr. Speaker, I also wish to support the position of the hon. member for Skeena (Mr. Howard), who pointed out the meanness of this government in depriving postal employees of statutory leave.

I also take this opportunity to note the arrival in the house of the Postmaster General (Mr. Hamilton), who probably heard that I was going to speak; knowing his great fondness for my speeches, I thank him for coming to the house. While he is here, let me say how mean it is to deprive his employees of statutory leave, when employees of private enterprise are allowed such leave.

What is worse, to my mind, is that those who have intermittent employment, that is who do not regularly work eight hours a day, are not even entitled to annual leave. I think such an attitude is inhuman and small-minded.

In the city of Montreal, there are some postal employees who work intermittently seven days a week, and if one of them wants to leave, he must do so at his own cost and expense, because this government does not pay him a single cent. To my mind, such conditions are inhuman and obsolete.

I asked the Postmaster General a question with regard to this matter and he asked me to wait and reiterate my question when his estimates were discussed. All that is very well, but if a general election comes in the meantime, I am very much afraid that I shall not be able to ask him the same question, for the good reason that he will not be Postmaster General any more.

However, I would ask him not to wait until the post office estimates are discussed next year before he considers this request made to him by the hon. member for Skeena, myself and all opposition members, in view of getting fair treatment for these civil servants who are working intermittently.

Mr. Speaker, it would only require a few cents to pay the cost of those statutory and other holidays; in fact, I did suggest some means of doing so that would not cost this government too much.

It is well known that, year after year, the Conservative government has had deficits. Yet, Mr. Speaker, after reading papers this morning, I discovered a gold mine for this government. As a matter of fact, it seems that many thousand dollars do not get to the income tax division. Indeed, I read this morning in the *Gazette*:

(Text):

The federal Conservative party's chief organizer for eastern Quebec province testified before the Salvas royal commission here yesterday that he received more than $20,000 in National Union kickbacks.

At page 2 I read, referring to the testimony of Mr. Boucher:

His testimony came as the million dollar kickbacks probe—

Mr. Speaker: Order. Perhaps the hon. member would relate what he is saying to the subject under discussion. There are two problems which present themselves to me. One is that this relates to a provincial inquiry—I am not sure whether it is a judicial inquiry, royal commission or what it is, and to an inquiry into the conduct of an individual, an inquiry which has not yet concluded. The other aspect is that unless the hon. member relates it to the federal budget, it seems to me to be irrelevant.

Mr. Denis: I do not wish to make any comments as far as the issues are concerned. I wish to ask the Minister of Finance and the government to send some investigators there to watch the inquiry and find out whether there is some way of finding more money, because every year the government has deficits of hundreds of millions of dollars. Is it not the same as far as the hospital is concerned? I think the present government should look into every hospital in the province of Quebec which was administered by the Union Nationale. There is one, for instance, St. Luc hospital. Every director of this hospital is a Union Nationale organizer. I want the Minister of Finance to make inquiries about it. If the minister needs money he should ensure that income tax is paid by all Canadians. It is only just that those who pay their income taxes honestly should be protected. The government should ensure that those who perhaps do not earn their money in the same way most Canadian taxpayers do should also pay income tax.

(Translation):

Mr. Speaker, hon. members opposite stated that Canadians were pleased with this budget.

I also heard some members say that the press had reacted favourably to the budget.

I do not know where they got their information. I personally scanned 35 papers, and almost everyone criticized this government in some way or other.

I have here a paper which says:

This is a record deficit in peacetime.

Another paper has this to say:

This is disappointing.

And another says:

There we have an anti-Coyne budget.

And here read:

(Text):

Too little too late.

(Translation):

I must tell you, Mr. Speaker, that those papers are published in each of the ten provinces of Canada.

Another paper says:

(Text):

This lack of decisiveness has been a factor in the confused marking time which has been so characteristic of the past year or more.

(Translation):

Another from Saskatchewan says:

(Text):

When an individual spends more than his income, he very quickly goes broke, but in the case of a nation, Canada as an example, when expenditures exceed income, it is politely termed deficit financing.

Another from Alberta reads:

In the past both Fleming and Diefenbaker have tried to escape responsibility for unpopular monetary policy by blaming it on the Bank of Canada.

An editorial in an Alberta newspaper calls it: "A dangerous budget". Another newspaper says the budget will increase the cost of living. Another says it is a tradition of Conservative governments to be on the deficit side every year. Another newspaper says there will be no jobs created for the unemployed, at least for many months, and that it is doubtful whether the budget will do anything to help the unemployed at the present time. Another newspaper says the budget is paving the way for inflation. Another newspaper says the budget is "uninspired and uninspiring".

May I also mention here what has been said about the budget by Joe Morris, western regional head of the international woodworkers of America who, as reported in the Nanaimo daily *Free Press* on June 21 described it as "A lame attempt to disguise the bankrupt fiscal policies of the Diefenbaker government." Almost every newspaper in Canada has criticized the present budget. I have gone through 35 of them, and almost every one condemns the government's budget, except of course Montreal *Matin*, which is so fanatically Conservative that it might even publish something in favour of the hon. member for St. Hyacinthe-Bagot (Mr. Ricard).

[Mr. Denis.]

(Translation):

Mr. Speaker, I feel that this budget is a delayed April fool's hoax. It came out in June. And it came wrapped up in heavy paper and by heavy paper I mean that the presentation lasted $2\frac{3}{4}$ hours. It is packed up in some kind of piano box.

The mountain in labour has brought forth a mouse.

It took 175 pages, Mr. Speaker, to tell the people of Canada, to the unemployed: You will not get anything this year; to tell the farmers: You will not get anything this year, you will have to wait.

The only thing that may bring you comfort is that you will be able to smoke king size cigarettes at no extra cost.

As I said a moment ago, if we have not a general election this year it is on account of the four by-elections. I think that everything was set, that the Conservative electoral machinery was ready.

They were waiting for the results of the by-elections before launching the campaign which they had prepared in detail.

The Minister of Finance had the Coyne affair. The president of the C.N.R. had been summoned to Ottawa at about the same time.

The president of the Canadian Broadcasting Corporation had also been summoned.

The Minister of Agriculture had gone off to China, to sign a contract for the sale of wheat. Of course, we do not know the terms of that sale.

There was also the question of the merchant marine. It was quickly disposed of. Construction of vessels began immediately, and so quickly that Canadian-produced engines cannot be used.

It was a Conservative member who said that, on June 22, and I must quote what he said, it is too edifying.

Mr. Grafftey: It is the other text.

Mr. Denis: I heard the hon. member for Brome-Missisquoi (Mr. Grafftey) mumble. I must warn him that if he continues misbehaving, his government will present a bill to have him thrown out of the house.

This is what the hon. member for Kingston (Mr. Allmark) said:

No one who has followed—

(Text):

Mr. Speaker: Is the hon. member quoting from another debate?

Mr. Denis: No Mr. Speaker. In this debate, at page 7154 of *Hansard*, the hon. member for Kingston (Mr. Allmark) is reported to have said:

(Translation):

No one who has followed the shipbuilding industry has failed to notice the number of times foreign engines are used in ships belonging to the Canadian government. Too frequently we find that these ships are designed so that Canadian marine engines cannot be adapted for use in them, or that they can be adapted only at considerable additional cost.

Some time before the by-elections, we saw ministers devote their week ends to meetings. We saw some hon. members deliver their little speeches, either on veterans, lotteries, capital punishment, or any other subject, and those speeches were ready to be distributed.

One member went as far as writing to all his constituents here in Ottawa, to ask them if they were willing to take part in the election campaign in the constituency where he worked.

Well, during all that time, everything was ready. However, nasty blows fell on them: the results of the by-elections, the Coyne affair, which went against them. The Conservative backbenchers who make derogatory remarks about our public officials keep in the background and are afraid to question when they are here. I am referring for instance to the hon. member for Joliette-L'Assomption-Montcalm (Mr. Pigeon) who often criticized the president of the C.N.R. in the house; yet, yet, when the parliamentary committee met to hear the president of the C.N.R., the member for Joliette-L'Assomption-Montcalm was conspicuously absent.

Mr. Pigeon: I cannot attend all committee meetings.

Mr. Denis: Yet, when one makes accusations, especially against so important an official as the president of the C.N.R. and the latter is called here as a witness, it is most important for the member who attacked him in the house to attend the meeting to question him and to tell him personally what he finds wrong with him. But the member for Joliette-L'Assomption-Montcalm did not attend the meeting.

Besides, the members of the province of Quebec were preparing for the electoral campaign. They made speeches for and against a national flag, a national anthem, joint programs and university grants. They spoke for and against the Colombo plan, capital punishment and lotteries. In short there was something for everyone.

Nevertheless, the by-elections turned out against them. Moreover, the Coyne balloon burst, and instead of a "Fleming versus Coyne" budget, we have a "Fleming versus justice" budget, a "Fleming versus democracy" budget. It has also become a "Fleming versus bill of rights" budget.

I forgot to say that they had also based their campaign on the bill of rights. I understand the bill had been printed on calfhide with some writings intended to convince the Canadian people that this bill was the result of the excellent administration of this government. The strange thing is that this government violates the bill of rights at the first opportunity.

Moreover, another obstacle to a general election were the bombs which kept exploding in Quebec, so much so, that election organizers were not available for an electoral campaign as they were involved in various judicial inquiries.

I do not want to enlarge on that point, except to say that instead of a little chocolate budget which would have been served as dessert to the people in order to conceal from it the bad administration of this Tory government, all those blows which fell at the same time resulted in the Canadians getting not a budget which would have helped the little man, the unemployed, the taxpayer, but a budget which is interesting only by the number of pages it covers.

We were expecting a deficit. We know that the Minister of Finance was wrong in the past, and we think that he is wrong again this time.

In other words, in this budget, there is nothing for the little people, nothing for the man in the street, nothing for the taxpayer in general. If there is anything, it is the opportunity for big financiers to make a killing on the stock market, and I would not be surprised if those rich financiers who do business with the United States and are paid in American money made thousands and thousands of dollars of profits, as a result of the devaluation of the Canadian dollar.

But what about, for instance, borrowers, not lenders, not those who export quantities of products, but those who borrow and have to repay, who have borrowed in the United States and who have to pay back in American dollars the loans they have made, such as municipalities, provinces and even individuals, who have been unable to find money at a reasonable rate during the Conservative administration and who had to go to the

United States to get a better rate of interest? All those people will have to pay more, on account of the government's present policy, on account of the budget now being discussed in this house.

Recently—I think it was yesterday—the Minister of Finance said that the Canadian dollar had been devaluated by 3 per cent. Here is the result of that devaluation. I have here a report of the Ottawa *Citizen,* and I quote:

(Text):

G. A. Lascelles, finance commissioner of metropolitan Toronto, said each drop of one cent in the value of the Canadian dollar would add $200,000 a year to Toronto's costs on its American indebtedness.

This means that because the present government has devalued the dollar by three points it will cost Toronto $600,000 more a year to pay its indebtedness than it otherwise would.

(Translation):

The situation is the same in all other provinces and all other municipalities.

Montreal is on the market for a loan to build an underground railway, and if the authorities do not find enough money here in Canada, they will have to get it elsewhere, they will have to import the necessary funds. I am wondering, Mr. Speaker, at what rate they will have to borrow from the U.S., now that the Canadian dollar is devaluated according to the wish of this government.

Therefore, those who have borrowed or all those who want to borrow, namely people of low income, will be the losers with this budget. On the other hand all those who lend money, all those who sell something will gain from it—the wealthy, the tycoons will again profit by it. Profitable deals on the stock exchange have multiplied since this budget was brought down. I am sure the budget does not provide for present conditions, where we should do all we can to fight the slump and stop unemployment, to lower the interest rates and the cost of living. This budget will do just the opposite. And if, by chance, it should have some useful results in a year or a year and a half from now, in the meantime, the unemployed will have to be satisfied with their scanty unemployment insurance benefits. It is fortunate the unemployment insurance fund was well filled. In fact, under an act introduced and carried out by a Liberal government, the Conservatives inherited a fund of $900 million, which unfortunately has declined now to $100 million.

Well, where would we find ourselves now, what would have happened to the unemployed if they had not had that fund that was created under a Liberal government? They would be hard-up indeed, they would be completely broke, they would be in trouble and they could not buy bread or butter. I would say, Mr. Speaker, that this measure alone is worth more to the Canadian citizens than the four years in office of this government.

Mr. Speaker, my time has run out, but I would have so much more to say to the Conservative government.

(Text):

Mr. Speaker: Is the house ready for the question?

Mr. O. J. Godin (Nickel Belt): Mr. Speaker, I appreciate the opportunity to take part in the budget debate at this time. Firstly, it gives me the opportunity to indicate my admiration of the wonderful speech made earlier this afternoon by the Leader of the Opposition (Mr. Pearson) in which he dealt with practically all of the items and problems mentioned in the budget speech of the Minister of Finance (Mr. Fleming), a week or so ago.

Second, Mr. Speaker, it gives me the opportunity to express the views of the people of Nickel Belt, the riding which I represent, concerning the budget. We all realize that the budget is possibly the criterion on which the government is judged from year to year, and necessarily this budget is no exception.

As I criticize some of the matters contained in the budget I am sure that the people of my area will agree with me. I feel it is my duty to constructively criticize the budget as have so many newspapers throughout the country and as was so ably done this afternoon by the Leader of the Opposition who criticized the economic position of Canada at the present time after four years of Conservative administration.

As recently as last night a friend of mine presented me with a very small book which I consider to be possibly one of the oldest books in Canada having to do with trade and economic problems. This book was written in 1811, 150 years ago. It is entitled "Cursory Observations". The author is Jeremy Cockloft, the elder. The person who wrote this book thought that at that time the government was going to the dogs. It contains a chapter which deals with economics and trade. It ends up practically stating that the country should be given away to the states. The last phrase of the chapter reads as follows:

—hastening the disunion of the federal government, which already begins to totter on its foundation.

Surely, Mr. Speaker, if this writer was living in 1961 he would have the same remarks to make about the present government. I cannot say that without presenting certain proof and I certainly intend to do that. The Minister of Finance has made it quite clear, as has been repeated in this house, that he felt

that what he was presenting to the country was a planned solution to our problems, and that in effect the deficit which the budget indicated was planned also. I feel, Mr. Speaker, as do most Canadians, that the deficits of this government are not planned. If they are one cannot fail to observe that they recur from year to year.

I asked for and received the amounts of the deficits that have been incurred from year to year since this government has been in office. For the year ended March 1, 1958, the deficit was $38.5 million. For the year ended March 31, 1959, the deficit was $609.5 million; for 1960, the deficit was $413 million; for 1961, $345 million; and the budget just brought down by the minister estimates that for 1962 the deficit will be in the neighbourhood of $650 million. This is definitely not sound planning but it is the type of situation that this government creates from year to year. As indicated, there may be reasons why a government must have a deficit from time to time and with that I very much agree. The last one was poorly planned; perhaps it was not planned at all.

As we go about trying to find reasons for this great deficit at this time we find they do not necessarily relate to questions having to do with the needs of the economy. I am told that possibly the Prime Minister (Mr. Diefenbaker) gave the clue to the Minister of Finance for the deficit budget which he presented. The Prime Minister appeared on television the day after the presentation of the budget and it might have been expected that as the head of the government he would have indicated the reasons for the deficit. I have a transcript of his television address on June 21, 1961 in which he explained the reasons for the deficit. One thing he said was, "Should we turn back the clock on the Columbia river"?

It would seem that he meant to indicate to the Canadian people that this was a reason for the deficit forecast by the Minister of Finance. We all know that no such project will possibly even be commenced, let alone have to be paid for, before the termination of the year covered by this budget. We all know that the government has got into a shemozzle with one of the provinces with regard to the Columbia river situation.

I am very grateful to those responsible that I was a member of the delegation to Washington recently. In walking the streets there and talking to the American people one found they were very anxious to know what the situation was with respect to the Columbia river. In the minds of our neighbours some fear has possibly been created because we have not confirmed the Columbia river contract. For the sake of expediency and possibly publicity on the eve of an election in that country, we purported to sign a contract with that country. Surely it is not fitting and right for the Prime Minister of this country to go on the air the day after the budget speech and indicate to the Canadian people that a deficit was required in order to go ahead with such projects which we all realize it will not be possible to commence during the period covered by this budget.

We were told that the deficit was needed to bring about a reduction in taxes with a consequent reduction in revenue to the government from the people, but we have been told by many that this amounts to barely one tenth of 1 per cent of the deficit or approximately $65,000, and the balance must come from other sources and not through any reduction in taxation.

We are told that this deficit is planned. I believe the Leader of the Opposition made reference to that this afternoon. We all recall very well that around Christmas time last year the Canadian tax foundation made an estimate that the deficit in the present budget would be nearly $700 million. Surely the Minister of Finance cannot establish in this house that the tax foundation was planning his budget and his deficit as well.

We are told that one of the main objects of the budget, which is certainly of great importance to Canadian citizens, is to bring about a decrease in interest rates. If there is to be such a large deficit and if the cash position of the government is short, surely the government will have to find the money somewhere. I am quite prepared to admit that I am not a specialist in economics but there are only two ways of obtaining money when you are short of it. Either you borrow the money or you print it. I feel that the government will surely find itself in that position. With such a very large borrower in the field, I cannot conceive of the availability of money not being decreased with the result that interest rates will increase.

Furthermore, I believe I said in the house a couple of years ago that I had read a definition of a Conservative to this effect, that a Conservative is a person who acts hurriedly after thinking for too long a time. I think this is evident from the budget of the Minister of Finance at this time. We realize that the minister has brought down the budget only after the Canadian people had waited a long time for it and after there had been many requests for it by the opposition. In addition, we find some solutions of problems in the budget which have been put forward repeatedly by the Liberal opposition over a long period of time.

There is, for instance, the reduction in the excise tax on automobiles. We realize that the devaluation of the dollar will be beneficial in some ways to certain phases of our economy but on the other hand it will harm those industries that buy a great deal from our neighbour to the south. The hon. member for Essex East (Mr. Martin) made it quite clear this afternoon that he had requested the elimination of the excise tax on automobiles on many occasions. However, the minister has brought this about after he has already been made aware that the premier of the province of Ontario, where most of our automobile industry is located, has seen fit to impose a three per cent sales tax on all goods sold in the province of Ontario.

If the Minister of Finance believes that he is doing a great thing for the automotive industry, he must realize he is very late in doing so. The premier of the province of Ontario is quite friendly with the present government. We recall that during the 1958 election he went about the country with the Prime Minister and stated to the people of Ontario that if they would elect Mr. Diefenbaker he, Mr. Frost would come to Ottawa and get hundreds of millions of dollars for the people of Ontario. It would appear now that the promises made to Mr. Frost at that time were not lived up to because he saw fit some months ago to announce the imposition of a 3 per cent sales tax. That tax will take a great big chunk off the reduction in the excise tax.

At six o'clock the house took recess.

AFTER RECESS

The house resumed at 7.30 p.m.

Mr. Godin: Mr. Speaker, before the dinner recess I was endeavouring to indicate to the house that, in indicating in the budget speech that the excise tax of 7½ per cent on automobiles was to be taken off, the minister was well aware that the purchaser of automobiles in Canada had already for some months lost 3 per cent, at least in the province of Ontario, through the sales tax imposed by the premier of that province.

I wish to indicate further that the minister himself in another paragraph in his speech, has taken away a good bit of the 4½ per cent which should be left. This is done by his indication that he would make all efforts to devaluate the Canadian dollar in relation to the United States dollar. That action, of course, creates certain problems. They are possibly more marked in the automotive industry than in others. This industry purchases much of its goods and services from the United States in connection with the manufacture of automobiles.

I am speaking now, Mr. Speaker, on behalf of the purchasers of automobiles in Canada. In this category is included each and every one in my riding as there are no manufacturers in our area. If the dollar is devaluated, we know very well that, in respect of services, the amount the subsidiary companies in the automobile industry in Canada will lose is great. That amount, of course, the purchasers of automobiles in this country will have to meet.

As undoubtedly every person in Canada realizes, it is not by mere accident that the Canadian automobile is absolutely the same in model as the United States automobile. Although the motors are assembled in Canada or are possibly manufactured to a degree in Canada, it is not by a mere coincidence that they happen to be the same as United States motors. Therefore these companies, as well as the bread producers in this country, well realize that they will be paying more for these services, which are a combined service. In paying more for services and materials the Canadian manufacturers will necessarily have to charge more to the Canadian buyers for the same goods which they are now selling.

I say the situation is the same as that in the case of bread. The Minister of Finance can continue to quarrel and to say that this should not be so. However, these companies have accountants who will figure these costs and these costs will be added. Therefore I am quite positive as, I believe, are the Canadian people, from their understanding of the matter, that this is very close to being a farce when you indicate in one paragraph that you are taking something away while you know very well that practically the entire deduction indicated in that paragraph is taken away absolutely by another paragraph in which you indicate that you will make all efforts to devaluate the dollar to a significant degree. The guess of any other member of this house is as good as mine but "a significant degree" may be very close to the 4½ per cent which is left in this instance. I therefore feel that the people of my area and the Canadian people in general find no satisfaction in this reduction made at this time when for months and years it has been requested by the Liberal opposition.

Furthermore, I have indicated that this government acted late and acted on many occasions on the information and the request of the opposition. As a member of the opposition I appreciate that fact. Some members may find this situation odd. However, I find

indicated in this budget measures which will elucidate what I am now trying to indicate to this house. For instance, the members of this house and the Minister of Finance himself will recall that last year, when the budget resolutions were discussed, I was in quite a dogfight with him concerning the fact that in those budget resolutions no exemptions were granted for propane containers whereas the fuel tanks were exempt. This dogfight went on for maybe an hour or two and the minister at that time could see no reason in the request which was made. I say this with some humility, although I was possibly the major proponent of that request. I would ask hon. members to read Excise Tax Act resolution No. 9. I will read the first sentence:

9. That propane bulk tanks for use with furnaces for the heating of buildings... be exempt from sales tax.

This is a clear indication that if we obtain benefits or new propositions, many of them can be attributed to the Liberal opposition. In the same fashion, of course, the Minister of Finance takes more time to study and to adopt these good suggestions made by the opposition.

Hon. members will recall that last summer in this house we were involved in a great discussion. Of course I took part in that discussion also. At that time a ceiling was placed on C.M.H.C. mortgages by the Minister of Public Works (Mr. Walker). It affected greatly the bonus miners in my area especially. It was three months later that the Minister of Public Works was satisfied to accede to the demand of the opposition at that time. He did that in three months. I am happy to see that the Minister of Finance saw the light, although it took him 12 months to do so.

(Translation):

Mr. Speaker, before taking my seat, I should like to make some remarks to the Minister of National Revenue concerning the proposed French television station for the Sudbury area.

For more than a year the people of that town have been hearing about this project. This parliament approved the establishment of the station, but because of some difficulties, the work has not yet been started. First of all, permission had to be secured from the United States to use channel 13 for this French station in northern Ontario.

In the last two months, I have asked several questions of the Minister of Transport who is responsible for obtaining permission to start the work. Even though the minister co-operated with me in this matter, this authorization was long to come. However, I am now informed that the required authorization was given a few days ago. Naturally, as a result of that delay, the contracts which were granted a year ago will now have to be changed. With all the hon. members of this house, I hope that the difficulties involved in a new award of contracts a year later will not delay further the construction of that television station.

Mr. Speaker, since I am talking about television, I should like to say that in view of the Conservative government's efforts to gain greater control over publicly-owned corporations and organizations, we are concerned with the fact that the committee on radio and television which is, of course, mostly composed of Conservatives, recommends in its last report to the house that no member of the administration be allowed to sit on the board of directors of the corporation; that leaves out Messrs. Ouimet and Briggs. In other words it seems that this government has decided to seek dictatorial powers over all associations of any value that discharge certain administrative functions in government agencies.

While I am not aware of all the problems that can arise, or of the great difficulties that may exist between the Minister of Finance and Mr. Coyne, I can say on behalf of my constituents that this had created deep concern. On their behalf, I therefore ask for an investigation that would get to the bottom of this quarrel between the Minister of Finance and Mr. Coyne. In so doing, Mr. Speaker, I am not taking sides for anyone. I am convinced, however, that the Coyne incident is similar to the Ouimet and Briggs incident and to others which seem to show that whenever we have occasion to receive a report from a committee, the government is bent on wielding dictatorial powers over those agencies which are absolutely necessary to the administration of the various divisions maintained by the government.

(Text):

Mr. Speaker, as I have almost completed my remarks I think it is fitting to indicate that the attempt by this government to obtain more power within the agencies of government is most significant and I know it worries the Canadian people very much. I am not attempting to take sides. I have heard and read many of the speeches concerning the bill before the house which is known as the Coyne bill, or an act respecting the Bank of Canada.

Mr. Martin (Essex East): A bill of attainder.

Mr. Godin: I demand, on behalf of the citizens I represent, a full inquest to ascertain—

Some hon. Members: Oh, oh.

An hon. Member: Do you want a coroner too?

Mr. Godin: —a full inquiry to ascertain the difficulties which may exist at this time. I say this because the Canadian people fear this is on the part of this government another effort, as has been made obvious in reports from our committees, to obtain complete authority over appointments in the public service and government agencies of this country and to prevent these people from having the authority they should have.

The federal crown corporations and agencies have been operating for many years. I have heard many Canadian citizens say they are very pleased with the operations of the C.B.C. and the Bank of Canada. It is most surprising to the Canadian people and to myself that at this time, after the comparatively short period of time in which they have been in office, this government is attempting to make sure it has the means whereby it may appoint men of its choice over whom it will have complete authority and control. On behalf of the people I represent I suggest that in the long run this will be most unfortunate for our country in that we will not have an independent administration in these agencies and corporations which are operating at the moment and of which we are justifiably very proud.

Mr. Speaker, my time has almost elapsed. May I say that it is my opinion and the opinion of the people of my riding that because of this budget and its proposals, and because of the administration of this government during the last four years, nothing will satisfy the Canadian people completely at this time except the opportunity of going to the polls in a general election.

(Translation):

Mr. Robert Lafreniere (Quebec-Montmorency): Mr. Speaker, like all the other members now in the house, I heard the hon. member for Nickel Belt (Mr. Godin) express his annoyance about the differences of opinion between the Minister of Finance (Mr. Fleming) and the governor of the Bank of Canada. He said that the people has been worried over the conflict between those two persons. Let me simply tell him that if this government had been soft enough to implement the policies Mr. Coyne advocated, namely credit restriction and tax increases, the people of Canada would have been doubly worried.

[Mr. Martin (Essex East).]

Many views have already been expressed by members on both sides of this house, Mr. Speaker, about the budget speech delivered by the Minister of Finance. Quite naturally, a number of those comments were spoken in a spirit of partisanship which sometimes blinds judgement, particularly when one is left in the cool areas of the opposition. I would prefer to quote the comments of Canadians who are experts on economic matters and who are not necessarily related to any political party.

However, I should like first to pay an unrestricted tribute—for, unlike Mr. Coyne, we do not like restrictions—to the Minister of Finance whose greatest merit is, I humbly submit that of having introduced a budget imbued with great Canadianism and having shown his attachment, for which we congratulate him, to the protection of Canadian business and industries.

It is easy to see how popular the last budget has been by looking through many Canadian newspapers. In fact, one of the best informed papers in Ontario, the *Globe and Mail*, published in the financial column of Mr. Ronald Anderson a lengthy and favourable comment from which I quote the following:

> The budget presented Tuesday by the Hon. Donald Fleming, Minister of Finance, contains three important provisions to help Canadian business. The first and most important one is the plan to reduce the external value of the Canadian dollar; second, the proposal to bring about a decrease in interest rates; third, the abolition of the 7½ per cent excise tax on passenger cars.
>
> Those are constructive measures. Other significant proposals provide for the extension of the role and financial resources of the industrial development bank and a tax deduction for research expenditures.

A weekly newspaper highly considered by all businessmen across Canada, the *Financial Post*, had something in the same line as Mr. Anderson. In last week's issue, the following editorial comment could be found:

> The budget contains a host of provisions whose unquestionable usefulness the Canadian people will appreciate. An example of this is the incentive given to research conducted in our country. Another is the extension of the functions and powers of the industrial development bank. It is hoped that this will slow down the selling-off of Canadian business.

And I believe, Mr. Speaker, that this is an important point.

> The various steps concerning the bond market are very sound. The provision for a new and thorough study of our financial institutions is timely, and our newspaper has often advocated it. These are all fruitful improvements.

Well, Mr. Speaker, I prefer to rely on the views of experts on financial matters

who are somewhat independent from all political parties, rather than on the views put forward by the hon. gentlemen opposite.

Many businessmen express as much satisfaction as the reporters of the *Globe and Mail* and the *Financial Post*. Automobile manufacturers welcome the abolition of the 7½ per cent excise tax. Textile manufacturers are glad to be able to count on a greater protection for their products. At this point, I must say that I represent a riding where there is a textile mill; it is therefore with pleasure that the workers of my area welcomed the proposals of the present government.

Exporters are pleased to compute the increased profits they will make from larger sales on the world markets. Hundreds of small businessmen will apply with more confidence to the industrial development bank. Finally, special incentives for the replacement and modernization of equipment will step up production in a great many factories.

The Minister of Finance has efficiently coordinated both monetary and fiscal measures. Some opportunist politicians blame him for it. Those who view the situation as statesmen must—like the members of the committee of the other place—commend him for it. The odds are that the Canadian people will finally come into line with the statesmen.

The people will soon realize that the June 20 budget shows a true Canadian spirit. The case of textiles will prove them right.

In order to show the importance of the textile industry in Canada, I shall simply read part of a speech made last April by the president of the Cotton Institute of Canada and managing director of Hamilton Cotton Limited of Hamilton, Ontario. This is what he said:

> The manufacturing industry employs today about 25 per cent of the Canadian labour force, compared to 16 per cent for agriculture, only 5 per cent for our resource industries, and about 30 per cent for service industries, including all sectors of trade and transport. It is a well known fact that the so-called service industries greatly depend on the manufacturing industries. In fact, a recent investigation undertaken by the C.N.R. reveals that each job in the manufacturing industry provides 1.17 jobs in other industries.
>
> Therefore, it is obvious that as far as employment is concerned, it is by helping the largest employer, the manufacturing industry, that we will get the most benefit. Now, the textile industry, of which we are a significant group, is a vital sector of the Canadian manufacturing industry. In fact, the primary textile industry is the country's second most important employer in the manufacturing field—the first place being occupied by the wearing apparel industry. Its importance is therefore obvious.

Under the Liberals, the textile industry was treated as a poor relative. It was left to the mercy of foreign competition. The present member for Bonavista-Twillingate (Mr. Pickersgill) stated in this house that the textile industry deserves very little consideration because, according to him, it is artificial from three points of view: (1) its skilled labour; (2) its methods; (3) its raw materials.

Unfortunately, those words express only too well the attitude which the Mackenzie King government took with regard to that industry which is such a large employer. Indeed, Mr. Speaker, it is no news for you that the member for Bonavista-Twillingate did not intervene when the customs tariffs which served as a dike against the flooding of our market by imported textile products, were under assault. We had to wait until the Conservatives came to power for the textile industry to recover the protection which is so essential to its survival.

The present Minister of Finance has negotiated agreements under which the Japanese put quotas on their exports to our country. The minister also proposes increases in the tariff rates which should help that industry develop even more. No one will forget that, at least not in the province of Quebec where, not including Montreal, one worker out of seven is in the employ of a textile mill.

I should like here, Mr. Speaker, to quote from a speech made by Mr. Young, president of the Canadian cotton institute, in order to warn the government against the dangers which are involved for this product in the competition from our southern neighbours, the United States. Here is what Mr. Young said:

> Since 1956, the United States government has spent nearly $20 million in subsidizing textile goods shipped into Canada. These shipments represent now 45 per cent of the American cotton goods exports and compares with 18 per cent in the carrying out of this program. During the same period, the Canadian cotton textile industry laid off 4,800 employees and, at the end of 1960, it was employing only 17,300 persons.
>
> It is clear that this subsidy is paid to make more business for the American exporters in reducing their export prices.

Consequently, I should like the government to strengthen, if possible, the measures taken to protect our industry against that competition from the United States.

The June 20 budget shows a true Canadian spirit, as I said, as far as the protection of our foreign markets is concerned. There is every indication that if we can go on selling our raw materials in England, we will have to continue selling our secondary products in the other countries of the commonwealth: India, Australia, New Zealand, the new African states. If we were to press London to join the common market, we would disturb the whole structure of the preferential tariff, we would throw out of key this whole tariff at a time when India and a number of African states, about to enter industrialization, could absorb large quantities of our secondary products.

There is no need to read publications such as *Foreign Trade* to get a clear indication of the magnitude of our trade with commonwealth countries, and of the possibilities in that field. Any thinking person knows about them. That is why the Minister of Finance could state with his usual firmness:

> This historic right of commonwealth free access to the United Kingdom market for agricultural products, industrial material and most manufactured goods is the keystone of the commonwealth trading system. Not only for economic reasons, but for political reasons as well, we would not wish to see this system abandoned ... We will pursue whatever policies may be required to achieve this end.

Those proud words are in full agreement with the ways in which the Minister of Finance, in international conferences, has stood for the rightful interests of Canadian producers.

After all, if the Minister of Finance has always defended our producers, he has done so by means of structural reforms, to use the words of Mr. Jacques Parizeau, and in referring to those reforms I am led to stress the consistency that any observant person will find in the various budgets introduced by the Minister of Finance. In fact, the June budget is but an extension of the December one. It is its logical outcome.

Have I not referred, a moment ago, to the sound protectionism that the June 20 budget forecasts in the field of textiles? Well, in December, the Minister of Finance had redefined, for customs purposes, products of a class or kind made in Canada. The new definition will have as its essential result to encourage purchasers of machinery to buy their manufacturing equipment in this country. Mr. Jacques Parizeau noted in this connection:

> For a long time, the equipment imported into Canada has been segregated by customs authorities under two classifications according to whether it was possible or not for the importer to purchase similar equipment in Canada. In the first instance, tariffs were often from 15 to 25 percent; in the second instance, however, they ranged between nil and 7½ per cent. Those provisions have often been evaded in the past and the second classification has been rather large compared to the first. Abuse has become general. With a re-definition of those classes, the Minister of Finance in fact has re-defined hundreds of thousands of dollars worth of imports and increased the effective protection of the equipment industry which employs large numbers of workers.

In December last, the Minister of Finance had taken correlated steps to reduce the inflow of imports and favour the Canadians seeking markets abroad for Canadian products. He has provided for the creation of an export bank which offers short and long term credit through the chartered banks. Canadian exporters have benefited from the creation of that bank as of December 1960, as they will benefit from the devaluation of the dollar as of June 20, 1961.

Labour itself has not been ignored either. In December, in order to eliminate unemployment pockets in depressed areas, the Minister of Finance invited business firms to those areas and backed his invitation with generous tax abatements. In June, he has decided to encourage employment in the automobile industry; in fact, he has abolished the 7½ per cent excise tax. Because of the automatic reduction of new car prices, demand will increase and production will advance accordingly.

Whether we refer to the main budget or to the baby budget, our findings are the same —the present government pursues the same objectives. Should they be indicated once again?

1. Balancing our trade through diversification;

2. Abiding by international commitments, such as GATT and defending our rights and interests;

3. Protecting our producers against unfair competition in the industrial and agricultural fields.

In view of that threefold aim the government has been trying to rationalize capital inflow. The rate of public and private investments will not be slowed down in the process; there will simply be a substitution of Canadian funds for foreign funds. That is why the Minister of Finance said:

> Since our aim is to reduce substantially and fairly quickly our excess of imports, visible and invisible, over our exports, it follows that we must aim at replacing, from Canadian sources, an equivalent amount of funds that would otherwise have been raised abroad. We have been giving most careful thought to ways and means of supplying these funds from Canadian sources.

This cannot happen overnight. For a long time, borrowers in this country have been used to going to New York to raise money. On that world money market, lenders are so easily found that unimaginative borrowers

services, however excellent, of our own financial institutions.

The central government will set an example. Better still, it will take concrete action to ease the long term bond sector available to the provinces and municipal corporations. Therefore, the Minister of Finance announced on June 20:

> —I propose to restrict new federal bond issues, at least for many months, to the field of short term securities.

This action is along the same lines as the treasury decision to take over the whole portfolio of the unemployment insurance fund on the basis of the book value of the bonds. To this dual approach should be added the measures taken by the government to open a secondary mortgage market. In June as in December, the government has shown its intention to enlarge and develop the Canadian capital market. Those, Mr. Speaker, are the points on which I wanted to call the attention of the house.

The general idea that one can derive from this budget is that the minister has tried to protect Canadian industry and Canadian companies.

He deserves to be commended for that attitude. It is, indeed, for that reason that every newspaper across the country has spoken favourably of the budget brought down by the Minister of Finance.

Independent and impartial opinions of newspaper columnists and economic experts mean more, in my view, than the more or less sincere opinions which have been expressed by hon. members opposite.

(Text):

Miss Judy V. LaMarsh (Niagara Falls): Mr. Speaker, last week after the Minister of Finance (Mr. Fleming) made his annual fiscal accounting to the Canadian people, there was what purported to be another national accounting made to the people by the Prime Minister (Mr. Diefenbaker). This so-called accounting was made in a television address on the occasion of the fourth anniversary of the mounting to the seats of the mighty by the Conservative party. It is with this latter accounting that I intend to deal for a few moments.

The Prime Minister during his television chat invited Canadians to look over the shadow his administration had cast across Canada under his stewardship. Perhaps more properly I should have said spectre, not shadow. He invited Canadians to join with him in his self-satisfied gloating over the period when, as he said, there had been more development in Canada than in any equal period in the past. Alas, Mr. Speaker, what a sad commentary on the 1957 model man of vision who is now, in 1961, the model man of hallucinations. Is that too strong a word, Mr. Speaker? Surely this is the most charitable explanation of that half hour of half truths which he gave the Canadian people.

This is what he said, Mr. Speaker:

> And now, I look back with you over the four years. What have been the effects? The national income has risen 18 per cent and the gross national product—that is all our earnings and income and production—by 17 per cent.

This, Mr. Speaker, so far as it goes—and I say so far as it goes—is the truth. But what he neglected to mention was that during the last four years of Liberal administration, from 1953 to 1957, the national income rose not 18 per cent but 24 per cent and the gross national product during the same period rose not 17 per cent but 27 per cent.

Let me quote what one of the most Conservative of Canadian papers, the *Financial Post,* said in its editorial "The Spectre of Stagnation" on April 29 last:

> What is important about G.N.P., however, is not the sometimes stunning dollar totals and their frequently quoted advances.
>
> What matters to practical business planners and to responsible government officials should be real rates of growth. And here the G.N.P. story reveals the spectre of stagnation.
>
> Consider these comfortless figures:
>
> Since 1947, G.N.P.'s average annual rate of increase has been almost 8 per cent. This, on the surface is a remarkable performance but the average hides the fact that between 1947 and 1956 the annual average was 9 per cent, while in the last four years the rate of increase has been only half as fast—4 per cent per year. To see how small the real volume gains are, take out the effect of price increases. Then the annual 9 per cent gain from 1947 to 1956 turns into a 5.5 per cent advance and the 4 per cent increase 1956—1960 slows to a 1.7 per cent annual rise.

This, Mr. Speaker, more than shows the hollow puffing of the government, but the most chilling aspect is that if one does take out from the G.N.P. these figures to arrive at the real G.N.P. per person in Canada, without the rise in cost and considering the population increases then in fact in the past four years the G.N.P. per person in Canada has dropped 4 per cent. This means that while under the Liberal administration of 1956 each person produced $96 more, under this government each Canadian produced $55 less.

But to return to the Cheshire cat recital of the Prime Minister of last week, he said at page 7 of the script of his broadcast:

Progress and expansion on the scale of the last four years is not inevitable.

Well, Mr. Speaker, I join with most other Canadians in saying thank heaven that that is so and that it is not inevitable.

Then, as an example of a sheer flight of imagination, listen to what the Prime Minister said on the subject of trade:

And when you think of the doom and gloom remember this. Canadian exports have been steadily increasing since we took office and they're now, 1960—

And I may say this is obviously a speech left over from last year. I continue:

—at an all time high, 12 per cent higher than they were four years ago.

The fact is, Mr. Speaker, that during the last four years of Liberal administration trade in Canada increased by almost the same figure; actually it was somewhat higher, 12.8 per cent. But in the past four years world trade has expanded 20 per cent. Canada has slipped from fourth to fifth place among the world's trading nations.

Then, the Prime Minister took great glee in the drop of 4 per cent in imports, although he was silent on the fact that this is used as a first indication by economists of a drop, and a considerable drop, in personal incomes.

We come now to that part of the Prime Minister's speech where he dealt with the problem of unemployment in Canada, a subject to which perhaps he felt he could at last refer, with the summer season here and people re-employed in the tourist and construction industries. The Prime Minister said:

We have unemployment, the result of men being displaced by technological change.

The Senate committee found a number of reasons for the amount of unemployment in this country but certainly did not dismiss it, as did the Prime Minister, as being merely the result of technological change. Listen to what the *Financial Post* had to say about the cause of unemployment in the same editorial to which I made reference a while ago.

The result of this trend toward stagnation has been the worst unemployment recession since the 1930's. Unemployment is now averaging 7 per cent a year as against only 2-3 per cent in the early 1950's.

Then the Prime Minister said:

However, in Canada, and it's well to remember this, unemployment has lesser impact on the Canadian than on the American economy. Compare our situation with the United States and then think of this.

Suppose we accept this invitation of the Prime Minister and compare our situation with that of the United States. I should like to read into the record some figures which I have taken from "Economic Indicators", May, 1961 and from the "Canadian Statistical Review", May, 1961. The figures are as follows:

	Percentage of Labour Force Unemployed	
	U.S.A.	Canada
1960—March	5.5	6.6
April	5.1	6.8
May	5.1	7.2
June	5.4	6.6
July	5.5	7.1
August	5.8	7.6
September	5.7	7.2
October	6.3	7.6
November	6.2	7.5
December	6.8	7.9
1961—January	6.6	7.7
February	6.8	7.8
March	6.9	7.7
April	6.8	7.6

Mr. Grafftey: Were the methods of compiling the figures the same?

Miss LaMarsh: The methods of compiling the figures, in answer to those who inquire, are identical. How, unless he is in fact suffering from hallucinations, can the Prime Minister justify his statement when every solitary month of the past 18 our percentage of the labour force unemployed has been a point or two higher than that of the United States.

Then the Prime Minister launched into a reference to a few more figures. He said:

There are 267,000 more Canadians working during the month of May this year than a year ago and this is something that they don't tell you about.

Well, Mr. Speaker, it is certainly correct that no one else but the Prime Minister would dare to tell the Canadian people that, because the d.b.s. figures show that 113,000, not 267,000, more Canadians were employed in May, 1961 than in May, 1960. I assume that either the d.b.s. or the Prime Minister is deliberately false. Then the Prime Minister—

Mr. Fleming (Eglinton): Mr. Speaker, the hon. member appears to have said that either the Prime Minister or the dominion bureau of statistics was deliberately false. Mr. Speaker, this is obviously an unparliamentary expression to use even in this alternative form—

Mr. Chevrier: Why don't you sit down and let her make her speech?

Mr. Fleming (Eglinton): Mr. Speaker, the objection is to the expression "deliberately false". It is quite unparliamentary.

Miss LaMarsh: I would hope the Prime Minister was correct and the d.b.s. wrong.

Mr. Hellyer: That is too much to hope for.

Miss LaMarsh: Then the Prime Minister went on to say—

Mr. Fleming (Eglinton): Mr. Speaker, to go on to add another expression does not constitute a withdrawal of an unparliamentary expression. I ask that the reference to which I object be withdrawn. It is quite unparliamentary.

Mr. Speaker: It is an inflexible rule of the house that no member should impute to another a deliberate falsehood. The hon. member's remark was somewhat ambiguous. I would think that the proper course would be to make it clear that she was not imputing a deliberate falsehood to the Prime Minister.

Miss LaMarsh: I would say this. The speech writer for the Prime Minister might well have been incorrect.

Mr. Fleming (Eglinton): Mr. Speaker, I ask for the withdrawal of an unparliamentary expression. A variation does not constitute a withdrawal. I ask, Mr. Speaker—

Mr. Pearson: He should withdraw his false figures too.

Mr. Fleming (Eglinton): —that that unparliamentary expression be withdrawn in accordance with the practice of the house.

Mr. Speaker: I think the minister is correct in saying that it is not sufficient to adopt another mode of expression even though it modifies the meaning without removing the offensive words and I would hope that the hon. member would make it clear that she is not imputing deliberate falsehood to the Prime Minister.

Miss LaMarsh: Mr. Speaker, I would be quite prepared to say that the computers in the dominion bureau of statistics are completely wrong and withdraw any suggestion that the Prime Minister—

Mr. Speaker: Order. It is customary in the house where exception is taken—and the rules are very clear about offensive statements—to make a wholehearted and not an evasive withdrawal. I would hope that the hon. member at the beginning of her parliamentary career would not leave the record stand as it is.

Miss LaMarsh: Certainly, Mr. Speaker. If I said something that was unparliamentary I would of course not wish to break the rules of the house, and in making the remark I did I would assume, therefore, that the conclusion would be taken that the computers and those who prepared the figures must have been in error. I am quite prepared to withdraw anything I said which was unparliamentary in the Speaker's opinion.

Mr. Martin (Essex East): The figures were false.

Mr. Chevrier: That is all it was, false figures.

Mr. Speaker: I will take the hon. member at her word. The imputation of a deliberate falsehood to one or the other I think should be withdrawn because it does leave the imputation even with the explanation that has been made.

Miss LaMarsh: I abide by your ruling, Mr. Speaker. The Prime Minister went on to follow those figures with this remark:

> Now in any other country in the world this would be hailed as an indication of solid economic progress.

How perfectly incredible. During a year when there have been three quarters of a million of his fellow Canadians without employment, although he had promised previously that no one would suffer from unemployment while he was prime minister, and when we have only to compare the number of unemployed in May, 1957, 184,000, with the number of unemployed in May of this year, 457,000, almost three times as many, he casually invites Canadians to crow that this is economic progress.

Once again he mentioned the unemployed in his address. He was speaking about payments of unemployment insurance and he said:

> The unemployed? Should their claims be disallowed when they need help most?

This, Mr. Speaker, from an administration that sat calmly by and permitted those who were unemployed, who came here to Ottawa to consult with the Prime Minister and his ministers—and in the face of the assurance of the Minister of Labour (Mr. Starr) to the contrary—to have $4 to $6 cut from their benefits because they exercised their right to come to Ottawa. Again, there was this classic remark in his speech:

> Are we giving too much to hospitals?

In the light of some recent revelations in the province of Quebec, it may well be that we are giving too much to some hospitals or to some friends of some hospitals. Passing from such things the Prime Minister went on—

Mr. Grafftey: How are things in Hawkesbury?

Miss LaMarsh: —to lift his eyes to the visions of yore and to tell us this:

> When they speak of deficits one of the reasons was the program for national development.

I wish to ask, Mr. Speaker, what program for national development? I recall the right hon. gentleman in 1957 and 1958 shouting from the hustings that the former government ought to have had a shelf of public

works ready to be used in the face of a recession. Admittedly the Liberal administration had ready all the plans and preparations for the South Saskatchewan dam, and this was the only reason that this government was able to start work on it immediately. But what other national development is there which has necessitated five swelling deficits?

Mr. Pearson: The causeway.

Miss LaMarsh: Where is the Chignecto canal? Where is the P.E.I. causeway and where, oh where, is the much vaunted Columbia river development?

Mr. Chevrier: Where is the Minister of Justice?

Miss LaMarsh: Never, Mr. Speaker, has so much money been owed by so many on account of so few and for so little. Yet the Prime Minister said that "in the period of the last four years there has been more development in Canada than in any other equal period in the past". Then he went on to say:

> That statement I stand by as one that cannot be challenged in any way.

I for one challenge it and in every way. Before I leave this fascinating exercise in the style of George Orwell's novel, "1984", a sort of big brother who tries to change the record of history by simply making assertions, I should make reference to some of the Prime Minister's comments on deficits. He said in that speech:

> I remind those who may be concerned about deficit financing that if we had a deficit of a billion dollars a year, it would still be less than 3 per cent of our gross national product.

If we had a deficit of a billion dollars a year.

Mr. Martin (Essex East): You will have next year.

Miss LaMarsh: I wonder what visions the Prime Minister was seeing when his colleague, the Minister of Finance, told us last week that this year we have a billion dollar cash deficit. What possible excuse is it to say that this is less than the expenditure during the war? We had deficit budgets then for a purpose, not deficit budgets because the government did not know how to avoid them.

If I may, Mr. Speaker, I should like to quote once more from the editorial in the *Financial Post* to which I have already referred. They have this to say:

> Clearly what is needed is less complacency in high places, more realism in appraising Canada's dismal situation and more, infinitely more, government action to prod this economy into faster growth.

Mr. Grafftey: Who wrote that?

[Miss LaMarsh.]

Miss LaMarsh: I have referred again to the *Financial Post* editorial of April 29, 1961. However, I do offer, Mr. Speaker, in the Prime Minister's words, that one ray of hope offered by the hon. gentleman to the people of Canada:

> Progress and expansion on the scale of the last four years is not inevitable.

Let us hope, Mr. Speaker, that there will be, in the style of the new liberal administration in the United States, a return to plain speaking to our people when the facts, unpleasant though they may be, are given to the people, when with a new Liberal administration here in Ottawa this country will in truth return to a period of expansion and prosperity.

Mr. Speaker: Is the house ready for the question?

Some hon. Members: Question.

Mr. Speaker: Is it the pleasure of the house to adopt the motion?

Mr. Churchill: Will you call the yeas and nays, Mr. Speaker?

Mr. Speaker: Those in favour of the motion will please say yea.

Some hon. Members: Yea.

Mr. Speaker: Those opposed will please say nay.

Some hon. Members: Nay.

Mr. Speaker: In my opinion the yeas have it.

And more than five members having risen:

Mr. Speaker: Call in the members.

The house divided on the motion (Mr. Fleming, Eglinton) which was agreed to on the following division:

YEAS

Messrs:

Aiken	Crouse
Baldwin	Danforth
Barrington	Diefenbaker
Baskin	Dinsdale
Beech	Doucett
Bell (Carleton)	Drysdale
Bell (Saint John-Albert)	Dubois
Belzile	English
Best	Fairclough, Mrs.
Bigg	Fleming (Eglinton)
Bissonnette	Flemming (Royal)
Broome	Fournier
Browne (Vancouver-Kingsway)	Frechette
Brunsden	Fulton
Campbell (Lambton-Kent)	Gillet
Charlton	Grafftey
Churchill	Grenier
Clancy	Grills
Cooper	Hales
Creaghan	Hamilton (Notre Dame de Grace)
	Hamilton (Qu'Appelle)

Hamilton (York West)	Muir (Lisgar)
Hicks	Nasserden
Hodgson	Nugent
Horner (The Battlefords)	O'Hurley
Howe	O'Leary
Jorgenson	Pallett
Jung	Parizeau
Keays	Pascoe
Kennedy	Paul
Knowles	Pigeon
Korchinski	Pratt
Lafreniere	Pugh
Lahaye	Rapp
Lambert	Regnier
Letourneau	Richard (Kamouraska)
Macdonald, Mrs.	Robinson
Macdonnell	Rogers
MacLean (Queens)	Rompre
MacLellan	Rynard
Macquarrie	Small
MacRae	Smith (Lincoln)
McBain	Smith (Winnipeg North)
McCleave	Southam
McFarlane	Spencer
McGrath	Starr
McIntosh	Stinson
McQuillan	Tassé
Maloney	Thomas
Martel	Thompson
Martineau	Thrasher
Martini	Tremblay
Milligan	Valade
Monteith (Verdun)	Villeneuve
More	Walker
Morissette	Webb
Morris	Weichel
Muir (Cape Breton North and Victoria)	Woolliams
	Wratten—116.

NAYS

Messrs:

Badanai	Leduc
Batten	Loiselle
Benidickson	Macnaughton
Bourget	McIlraith
Chevrier	McMillan
Crestohl	McWilliam
Denis	Martin (Essex East)
Deschatelets	Martin (Timmins)
Dumas	Pearson
Eudes	Peters
Fisher	Pickersgill
Garland	Pitman
Godin	Roberge
Granger	Robichaud
Habel	Rouleau
Hellyer	Tucker
Herridge	Winch—35.
LaMarsh, Miss	

WAYS AND MEANS

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

EXCISE ACT

Resolved, that it is expedient to introduce a measure to amend the Excise Act to provide:

1. That the maximum weight for cigarettes subject to the excise duty of four dollars per thousand cigarettes, be increased from not more than two and one half pounds per thousand cigarettes to not more than three pounds per thousand cigarettes.

2. That any enactment founded upon this resolution shall come into force on the 1st day of January, 1962.

The Chairman: Shall the resolution carry?

Mr. Martin (Essex East): No. As I indicated this afternoon one of the very desirable features in this inadequate budget was, of course, the removal at long last of the excise tax on automobiles which had been promised by the head of this government during two election campaigns. It was only as a result of continued interrogation and prodding by the hon. member for Fort William and others. including myself—

Mr. Fleming (Eglinton): I rise on a point of order, Mr. Chairman. The hon. member is dealing with the wrong resolution. The resolution that was called was the one respecting the Excise Act, not the Excise Tax Act.

Mr. Martin (Essex East): The chairman said, "Excise Tax Act". However, if the chairman wishes to change it, it is all right.

The Chairman: Order. The resolution I have is the one relating to the Excise Act.

Mr. Benidickson: I believe, Mr. Chairman, you added the important word that differentiates one statute from the other. However, now that it is clear we are dealing with the Excise Act, I believe the Minister of Finance should explain paragraph 1 relating to the maximum weight of cigarettes subject to this tax, his expectations regarding this recommendation, and so on.

Mr. Fleming (Eglinton): Mr. Chairman, I believe the purpose of this amendment was fully explained in the budget speech. This explanation is to be found at page 6662 of *Hansard*.

This resolution would have the effect that, in future, cigarettes may weigh as much as three pounds per thousand cigarettes before becoming subject to the higher rate of excise duty. At present the act provides an excise duty of $4 per thousand cigarettes weighing not more than 2½ pounds per thousand. If cigarettes weigh more than this limit, the duty is $5 per thousand. This resolution proposes that the point at which the higher rate becomes effective be increased to three pounds per thousand cigarettes. This change will permit manufacturers to put more tobacco in cigarettes than at present without paying higher duty. At the present time most cigarettes longer than normal in size made in Canada are longer because of the filter and are not true "king size" cigarettes as they are known in the United States.

The proposed change will permit the manufacture of so-called "king size" cigarettes without additional tax. It has been estimated by some cigarette manufacturers that this

change may result in the use of an additional ten million pounds of tobacco per year. This is an increase of 8 per cent or 9 per cent in tobacco consumption. Although the change is a tax reduction in that a larger quantity of tobacco may be purchased for the same amount of tax, it is not anticipated the tax revenue will be affected to any significant extent since people purchase cigarettes by number rather than by weight.

Mr. Benidickson: I know very well that after budget night the administration does receive comments upon its proposals, such as this one. Would the minister indicate, in all fairness to this committee, if any such comment has been received by the administration in respect of this particular proposal?

Mr. Fleming (Eglinton): The representations or communications, Mr. Chairman, are of three kinds. First of all, the association representing tobacco growers has given the warmest kind of commendation to this resolution. I have had various communications from the representatives of growers to that effect. There have been representations also from manufacturers. One manufacturer, for instance, warmly commends the resolution in its present form. Another manufacturer asked for more time in which to instal the machinery required for the manufacture of the longer cigarettes. A third manufacturer first of all expressed a preference for the resolution not being proceeded with, and in the second place, if it were proceeded with, that it be deferred to a later period than January 1, 1962 in order to allow more time for the installation of machinery.

We had given some thought to this matter before the resolution was originally drawn, and had considered that a six-month deferment of the effective date of the change would be adequate to permit manufacturers who were not yet equipped with machines to make longer cigarettes the time to do so. In the light of these representations indicating that those manufacturers who are not so equipped would like a further six months to provide themselves with the necessary equipment, I shall be bringing forward an amendment to the second paragraph of this resolution proposing a three months' deferral of the effective date.

Mr. Benidickson: It is almost six months now.

Mr. Fleming (Eglinton): There is a six months' deferral written into the resolution. In other words, the resolution in its original form contemplated January 1, 1962 as the effective date. I am proposing now a further three months' deferral to April 1, 1962, in the light of these representations made by two manufacturers who think they will require further time to equip themselves with the necessary machinery.

I would ask my colleague the Minister of Veterans Affairs to move the following amendment:

That paragraph 2 of the Excise Act resolution be amended by striking out the expression "the first day of January 1962" and substituting therefor the expression "the first day of April, 1962."

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

The Chairman: Shall the amendment carry?

Mr. Benidickson: This is another sign of indecision and lack of firm judgment, such as we had in the presentation of the budget as a whole. At this stage we are debating the resolution, and later we will have a bill presented to us to amend the Excise Act. The minister has given notice that the government, with all the time at its disposal, apparently has not yet decided when this measure is to come into effect. The government requests another three months. May I ask the minister if it is his intention, before the adjournment of this session, to ask us to deal with second reading of the Excise Act to make effective the proposals contemplated in this resolution? We really do not have the bill before us now, but we have a warning, so to speak, of the government's intention. In as much as this is not going to be operative until April 1, 1962, has the minister any advice to give us on the necessity of debating the consequences of the principles involved here and the effect on the industry at this time? Is it perhaps likely that we would deal with this after the summer recess?

Mr. Fleming (Eglinton): There is of course a bill to follow. The resolution will not become effective unless the bill is passed. I hope that we can proceed swiftly with all stages of the budget resolutions. It is desirable that this legislation be passed soon in order that the manufacturers in this business may know the intention of parliament and be able to make their plans for equipment and the manufacture of the new type of cigarettes accordingly.

Mr. Benidickson: I share with the minister concern that the manufacturers, and I presume the consumers, would have some certainty about the end result of the budget proposals. Am I wrong in my thinking that as of the night of the minister's announcement the Department of National Revenue would have taken the minister at his word in so far as the tax imposition is concerned, knowing that he has a massive majority behind him? Since the night the minister introduced his budget has the Department of

National Revenue been in fact imposing the tax in accordance with the wording of this resolution irrespective of whether we pass it tonight or next September?

Mr. Fleming (Eglinton): No. The resolution proposes that the change in the act become effective on January 1, 1962. The Department of National Revenue is not going to advance the effective date beyond that mentioned in the resolution.

Mr. Benidickson: I think I was wrong there. The minister is perfectly right, but I am right in my general premise that when the minister announces a tax change it becomes effective on the night he announces it. In this instance the effective date would have been, as his budget speech suggested, January 1, 1962. He now proposes an amendment which would make the effective date April 1, 1962. This is not really emergent legislation as far as we are concerned at the moment. Unlike other announcements of the minister on budget night, the first item we are considering would have become operative on January 1, 1962. By the amendment the minister is proposing it will not become operative as a tax item until April 1, 1962. We are asked to proceed with this resolution and I presume the minister has some good reason for advancing it tonight. I am just a little bit suspicious of why we have to deal with this particular amendment if it will not affect the people of Canada under the present intention of the government until April, 1962.

There are many people in this house who think the government has advanced contentious legislation rather late this session if there is a possibility of having a summer recess. Surely this particular legislation is not of very great consequence to the people of Canada if in the first place it was not to be operative until January 1, 1962, and now under a proposed amendment of the government not until April 1, 1962. Am I missing something? Why is this resolution advanced on the basis of priority? Why is it the first item of the budget proposals that the minister thinks should be considered at this particular stage in the session when some of us are perhaps contemplating a recess, but not necessarily so. We are prepared to carry on here as long as necessary but this does not seem to me to be one of the urgent items that should be taken up as the first budget proposal if it is not to be operative in so far as the people are concerned until April, 1962.

Mr. Garland: I have one question to ask the minister. Did the minister or his department consult with the Department of National Health and Welfare to determine the possible effect, if any, on lung cancer that might result from this increased usage.

Mr. Fleming (Eglinton): Not specifically, Mr. Chairman, but I think it is obvious that the incidence, if any, to which the hon. member refers is not likely to be affected by the present measure. This means longer cigarettes or cigarettes with more tobacco in them.

Mr. Garland: There is a suggestion of increased usage of ten million pounds.

Mr. Hellyer: Can the minister tell us what tax changes there have been on cigarettes since June, 1957?

Mr. Fleming (Eglinton): We had one previously. We had this one change which was made in 1959, which added the equivalent of, I think it was, one dollar per thousand cigarettes to the tax on cigarettes.

Mr. Pickersgill: The tax has been increased, then?

Mr. Hellyer: Mr. Chairman, it is unfortunate for those people who are interested in this industry that the present government has seen fit to increase the tax on cigarettes over and above what it was in 1957. It is particularly unfortunate in view of the promises which seemed to have been made by the Prime Minister during the campaign in 1958. At Brantford, on February 17, 1958 he is reported to have said:

> Prime Minister Diefenbaker last night dropped a clear hint that the taxes on cigarettes, cigars and tobacco soon may be cut.
>
> He told an audience of 1,400 that no industry in Canada suffers a greater degree of taxation than the tobacco industry.
>
> Tobacco growers, he said, are the one segment of agriculture that has not received the attention it deserves, although growers long have clamoured for government aid.
>
> The Prime Minister added: "We want to give them this assistance. We are having a study made of this industry to see what action is needed to give tobacco growers a reasonable return and some security for their efforts."
>
> The tax on a 33 cent pack of cigarettes now is about 18 cents, made up of an excise tax, and excise duty, and a 10 per cent sales tax.
>
> The study probably will be made by the Department of Finance and any ensuing tax cut could be introduced in time for the 1958-1959 federal budget expected in May.
>
> To the Brantford audience, living on the northern fringe of Ontario's tobacco belt—where production has jumped from 63,000 acres in 1943 to 120,000 in 1956—the Prime Minister's hint appeared an effective vote catcher.

It is particularly interesting, Mr. Chairman, in view of this, that presumably after the study by the Department of Finance to which the Prime Minister alluded, their conclusion was not that the farmers should be given relief but on the contrary that the tax should be increased. Surely the report of the Prime Minister's statement in Brantford is very clear that it was his opinion then that the industry was overtaxed, that the tax was

too high. Yet following the study by the Department of Finance the tax was not reduced but on the contrary was increased.

This is one more indication of a promise which was made to the Canadian people in 1958 and was not kept. In respect of the present budget it might be said that one of the greatest areas of expansion in the whole budget is the minister's switch from regular to king size.

The Chairman: Shall the amendment carry?

Mr. Benidickson: No. I think the minister should indicate what research preceded this decision and, having regard particularly to what the hon. member for Trinity has said, to what extent it has been along the lines of a planned program which is something that the minister always talks about.

The Chairman: The question is on the amendment now and we might as well dispose of the amendment before dealing with the rest of the resolution.

Mr. Benidickson: With the expectation that the minister will make some reply on the resolution as amended, that will be satisfactory.

Amendment agreed to.

The Chairman: Shall the resolution carry?

Mr. Benidickson: I would hope that the minister would indicate a little more than he has done so far the background of the investigations that resulted in this decision on the part of the ministry, particularly in view of the comments of the hon. member for Trinity.

Mr. Fleming (Eglinton): Mr. Chairman, this measure has been asked for by the tobacco growers. It has been strongly supported by the growers. Certain manufacturers have asked for it as well, but the strongest plea has come from the tobacco growers.

Mr. McIlraith: Was the resolution asked for by any of the cigarette manufacturers?

Mr. Fleming (Eglinton): Yes.

Mr. McIlraith: Of the larger manufacturing companies, how many of them were for it and how many were opposed?

Mr. Fleming (Eglinton): To my knowledge it has been asked for by Rothmans for several years.

Mr. Pickersgill: Has the minister any indication that the price of these king size cigarettes will be the same or higher than the price of standard cigarettes?

Mr. Fleming (Eglinton): No specific indication in this regard. It will be a matter for the market.

[Mr. Hellyer.]

Mr. Benidickson: The minister spoke yesterday with a great deal of vehemence and apparently on the basis of a great deal of research as to the element of cost of a consumer product of great importance. I refer to bread. Apparently he had looked very carefully into the matter and had decided that, so far as bread prices were concerned, a five cent or more increase in the price of wheat would not justify the bakeries in increasing the price of bread. I must admit that I am a consumer of some products but I am not a consumer of this one and I do not know too well what may happen. What is likely to happen so far as consumers of cigarettes are concerned? As the result of this proposal, are they likely to get more value for their expenditure or less?

The minister mentioned that one of the important though lesser manufacturers, Rothmans, had been an advocate of this change. What about the people who are dominant in this field, for instance, Imperial Tobacco Company? Are they for or against this proposal?

Mr. Fleming (Eglinton): I answered that question a few minutes ago as to the position taken by the Imperial Tobacco Company in its representations since the budget. This resolution will have no relationship whatever to cigarettes of the present size with respect to price or anything else, but it will have the effect of reducing the tax and accordingly the price on what are commonly called king size cigarettes. It is expected, and this is the burden of the representations made very strongly by the tobacco growers association, that this resolution will result in the use of an additional ten million pounds of tobacco a year.

Mr. Benidickson: The minister indicated that he thought this was a reduction in tax. Has he or his staff calculated the tax loss so far as the crown is concerned that may result from this reduction?

Mr. Fleming (Eglinton): I dealt with that earlier.

Resolution as amended agreed to.

Resolution reported and concurred in.

CUSTOMS TARIFF

1. Resolved, that it is expedient to introduce a measure to amend the Customs Tariff to provide that the provisions of subsection (2) of section 3 and subsections (1) and (2) of section 5 apply to goods entering Canada through a port of any kind rather than being limited to goods entering through a sea, lake or river port.

Mr. Fleming (Eglinton): Mr. Chairman, perhaps it would facilitate consideration of these resolutions by the committee if I were to say

a word in explanation. There are four resolutions here to amend the Customs Tariff. The first one concerns only a definition. It is customary to deal with changes in definition in the act in the first resolution under this heading. This change in definition results from the fact that goods coming into Canada enjoying British preferential rates can arrive by air and no longer are limited in their transport to entry through a sea, lake or river port.

The second resolution concerns changes in the Customs Tariff respecting textiles. As I reported to the house in the budget speech, here we have the results of three reports of the tariff board followed by extensive negotiations, and this is put forward as a complete negotiated package in so far as GATT bindings are concerned. It is a complete package in the sense that in the negotiations the reductions were accepted by the countries in whose favour there were bindings in satisfaction of the increases. So that this is in itself a complete package.

The third resolution embraces a number of miscellaneous items which are bound under GATT, and these have all been the subject of negotiations with those countries in whose favour they were bound under GATT.

The fourth resolution embraces another miscellaneous group of items which are not bound by GATT.

Mr. Benidickson: Mr. Chairman, this is not new. Every year we have amendments to the customs tariff in the manner that these are advanced. I think the minister would be the first to agree that these amendments are of the utmost importance. In view of what he said in his budget speech and again tonight, he himself will recognize that we have had multilateral trading agreements with a great number of countries for many years. This is very important. When we want to raise our tariff against a certain item of import and against a certain country, as the minister has indicated in all too unclear and broad terms, this involves renegotiation.

Before we continue to pass items here in the House of Commons, I feel that the time has come when we should hear not only about the industries and the products that were affected in a beneficial way, but should also hear from the administration about the trading *quid pro quo* that is involved. This disclosure has been avoided. That is not true with respect to other countries that belong to the same international trading organization. In parliament here, if it is possible, the Minister of Finance talks about the results of his trading that may have helped certain industries but he attempts to avoid telling parliament and the country about the industries and the people employed in those industries who have perhaps been sacrificed as a result of readjustments and trading negotiations that have taken place under GATT.

Under the United States system where these things are announced, they then offer those interested, adversely affected and so on, an opportunity to come forward to register their interests and their complaints. As we have not that system in Canada I feel that every year the Minister of Finance, when he talks about items bound under GATT and other trading agreements, should tell us not only about the positive items where he has negotiated on behalf of certain industries for trade preferences but should tell us the *quid pro quo*. We know that there has been involved a *quid pro quo*, as I said. Somebody else has been sacrificed. Who are they? What are the products? What are the industries? Where are they situated? Before we pass not only the resolutions relating to this matter but before we pass at the next stage legislatively the bill that will be founded on these resolutions, I think the Minister of Finance is bound to tell us what the trade was on both sides. He has told us that, in connection with certain textile items, he feels he has provided added advantage in relation to Canada's associates in GATT. That is a multilateral trading agreement involving more than 30 countries.

Mr. Fleming (Eglinton): If the hon. member will permit me to do so, Mr. Chairman, may I draw attention to the fact that there are four separate resolutions here. There is nothing of concern to GATT under the first and fourth resolutions. I have already said that there were bindings or negotiations with respect to bindings in relation to the items embraced in the scope of the second and the third resolutions. We would perhaps have more orderly procedure, Mr. Chairman, if we confined ourselves as we go along to the respective resolutions as they will have to be called separately and adopted separately. The first one concerns the definition only.

The Chairman: I have indicated that I was inviting the committee to consider resolution No. 1.

Mr. Benidickson: You are well aware, Mr. Chairman, that on item No. 1 in committee of the whole it has been the traditional practice, of which the Minister of Finance was a great observer when he was sitting on this side of the chamber, to make some observations about the proposed statute as a statute on a broad basis. It was on that basis that I wanted to refer this committee to the resolution. The opposition is not expected perhaps

to be completely cognizant of some of the machinations related to legislative developments. We know that we are changing the Customs Tariff. We look in the first instance to what the minister tells us on budget night. I refer to page 6653 of *Hansard*. The minister, under a heading provided to us of "Tariff board reports and other tariff changes", stated as follows. I will read the first part of the minister's remarks:

> The rates of duty on most items of significance in the Canadian tariff are, as hon. members well know, bound against increase under our GATT agreements—

That was the purpose of my rising at this point. The minister then went on to say that in the schedules before us in these resolutions we shall find adjustments, changes and amendments. The minister took time out to say that these changes would benefit a certain segment of our economy. However, the minister has not said what the other side of the picture is, whose ox was gored, or who paid for these concessions that were given when certain changes were required under our basic GATT agreement. I think that matter is important at this stage of the discussion of the resolutions affecting the Customs Tariff. I ask the minister tonight to give to us this information, having regard to the next paragraph of his budget statement in which he referred to renegotiations and to three reports and indicated that, having regard to tariff board reports in Canada, the administration was anxious to fix this matter up with its trading partners across the world. Having done that, or having followed that course, he does not say what exports of Canada were affected in a trading nature to compensate when these items were bound under our GATT agreement, or what industries paid for the concessions that were made with respect to imports. I think we should hear about that matter before we proceed further with these resolutions.

Mr. Fleming (Eglinton): I have already made it quite clear, Mr. Chairman, that the complete answer to the hon. gentleman's question is to be found in resolutions Nos. 2 and 3. There is to be found there the complete story of the changes made in accordance with the provisions of GATT as a result of negotiations. I shall be glad to answer any further questions when we reach the details of those two resolutions.

Mr. Benidickson: The minister flatters me and all members of this committee when he says that the complete answer is to be found if you look at page 6673 of *Hansard*, of June 20. I thank the minister. He is very complimentary in suggesting that I am just that knowledgeable about the *quid pro quo* or the trading and could find it by reading, say, resolution No. 2.

Mr. Fleming (Eglinton): I have already explained that there was a complete package in resolution No. 2 respecting all textile items. It is a complete package. The *quid* and the *quo* are both there. A similar situation exists in relation to resolution No. 3, as to the changes made there. The complete answer is that in resolution No. 3, the *quids* and the *quos* are both to be found.

Mr. Benidickson: I doubt that anybody can find it outside of the minister, his parliamentary secretary and perhaps one or two others. Certainly I cannot do so. I do not pretend to be that knowledgeable. I doubt that anybody can look at resolution No. 2 and find the answer without the proper, honest disclosure on the part of the minister as to what the trading *quid pro quo* was. I say that I cannot find it in the fine text of resolution No. 2, and I have had some experience in this regard.

I say that the minister must be more frank with the committee than he is apparently intending to be. On budget night, as reported at page 6653 of *Hansard*, the minister said there were renegotiations. He told us that certain items were bound and he went on to say that measures have been taken to prevent certain imports that were damaging to certain industries in Canada. I say the minister has not given on that page of *Hansard* or up till now the other side of the picture, which is, who lost by these renegotiations or these trading agreements to which he referred at page 6653 of *Hansard* under the heading "Tariff board reports and other tariff changes" which he said were bound.

When he says they are bound, it means that under our multilateral tariff commitments our partners in trade look at the dollar value of the imports that the Minister of Finance boasts at page 6653 of having been curtailed. These approximately 30 traders with whom we have these multilateral agreements are not stupid and I know it would not be possible to change these agreements unless some export industry of Canada had been sacrificed. I want to know which ones were sacrificed to justify the boast that is made at page 6653 of *Hansard* with regard to the curtailment of imports.

I think at this stage the Minister of Finance should give us more information. This information is generally given. It is certainly given in the United States and then representations are made and there may be an appeal to the tariff board before the government of that country actually enters into a

firm treaty agreement with respect to a commitment on imports and exports.

My point is that the minister has no right to come to parliament and boast that renegotiations have taken place which will give benefit to certain industries in this country which feared imports, without telling us what industries in Canada which exported to our trading partners in GATT were sacrificed. I would like the minister to give an explanation of this matter.

Mr. Fleming (Eglinton): Mr. Chairman, there will be full opportunity to deal with that matter intelligently when we reach the second and third resolutions, which embrace all the items the hon. gentleman is concerned about. I suggest, therefore, that we proceed to adopt resolution No. 1, which concerns a matter of definition, and then we can talk about the first of the groups which concern the GATT bindings, in resolution 2.

Mr. McIlraith: Mr. Chairman, item No. 1 concerns definition in relation to the port of entry. We had legislation, which indeed is still on the order paper, concerned with definition under this legislation but in another connection altogether. I refer to the class or kind legislation. I would ask the minister the procedure under that legislation in relation to the coming into effect of the change in definition. My reason for asking this question is that I am receiving a great many general complaints for which unfortunately I am not able to give a particular item or entry number. The claim is being made that the new definition contained in the legislation not yet passed by parliament is being applied although the act itself is not yet law. Would the minister deal with that point.

Mr. Fleming (Eglinton): Mr. Chairman, I am told that no questions have yet arisen for determination by the Department of National Revenue in that regard.

Mr. McIlraith: Do I understand the answer to mean that there have been no cases of definition of class or kind under that legislation?

Mr. Fleming (Eglinton): I am told there have been no cases arising out of the proposed change in the class or kind definition.

Mr. McIlraith: I am rather mystified by that answer when there are so many items—

Mr. Fleming (Eglinton): Mr. Chairman, we are outside our proper sphere here anyway. The definition we are talking about here is respecting port of entry. If the hon. gentleman desires information on that other subject I shall be glad to obtain it for him. I do not think this is the place or time for it.

Mr. McIlraith: I would ask the minister for that information, Mr. Chairman. I think this is a matter of enough significance to warrant an answer. I do not think the minister's answer dealt with the point I raised; I think his answer dealt with a point much narrower than the point I raised. There are a great many of these cases coming up; they are coming up frequently, unfortunately every day. Perhaps the minister would look into this matter and give me an answer at a later stage of this legislation.

Mr. Fleming (Eglinton): It will not affect the legislation now under consideration.

Mr. McIlraith: No, it does not.

Mr. Fleming (Eglinton): If the hon. member asks me to obtain information on something outside this resolution, of course I will be glad to do it.

Mr. McIlraith: Thank you very much. Otherwise it is a simple matter to offer an amendment to this legislation and get it in that indirect way, but that is not a method I like to use.

Mr. Benidickson: Mr. Chairman, I directed my remarks in a broad way, as the minister always did when he was in opposition, to resolutions preliminary to the amendment of the Customs Tariff. The minister has asked me to deal with these points section by section. I have warned the minister that I am concerned about the necessity for comment regarding not only what has Canada achieved by these renegotiations for certain industries which are concerned about competitive imports, but that I also want to know, before we pass these resolutions, which export industries have paid in some compensatory way because of these renegotiations.

I am now confining my remarks to resolution No. 1. I hope the minister will give the committee a full explanation of these words contained in the resolution:

> —a port of any kind rather than being limited to goods entering through a sea, lake or river port.

Would the minister tell us what has been lacking in the legislation up till now that convinces him this particular legislative enactment is necessary in a statute which will at some time hence follow this resolution.

Mr. Fleming (Eglinton): Mr. Chairman, for many years subsection 2 of section 3 of the Customs Tariff has provided that the benefits of Canada's British preferential tariff shall apply to goods the growth, produce or manufacture of a specified list of British countries "when conveyed without transshipment from a port of any British country enjoying the benefits of the British preferential tariff into

a sea, lake or river port of Canada". Similar language appears also in subsections 1 and 2 of section 5. At the time they were introduced, the words "sea, lake or river" in fact covered all ports to which it was physically possible for goods to be shipped direct from British preferential sources. Such goods had to move by vessel. Hence the phrase "sea, lake or river" was all-inclusive. However, with the development of trans-Atlantic, trans-Pacific, and trans-polar air travel, including cargo movements by air, the strict application of the limiting words "sea, lake or river" would now impose an unintended and undesirable restriction. It would exclude from British preferential treatment any goods arriving by air at some airports in Canada. Accordingly, in order to make it clear that goods shipped direct from a British preferential source to a Canadian airport are not excluded from British preferential tariff treatment, it is proposed to amend the provisions in question.

Mr. McIlraith: I take it this is a matter of clarifying the definition.

Mr. Fleming (Eglinton): I would think, modernizing it.

Mr. McIlraith: I take it that the preferential tariff was granted to goods that came by air.

Mr. Fleming (Eglinton): Yes.

Mr. McIlraith: So you are modernizing something which was done, probably, properly but maybe, technically, illegally.

Resolution agreed to.

2. Resolved, that Schedule A to the Customs Tariff be amended by striking out tariff items 521(2), 522(4), 528, 529, 529a, 534(a), 534(b), 538b, 538e, 538f, 538g(1), 538g(2), 538h, 538j, 538k, 538m, 538n, 538p, 541b, 542a, 542b, 545, 554d, 554e, 554f, 555, 556, 556a, 556b, 562a, 563a, 568, 568a(i), 568a(ii), 574, 574a, 574b, 619, 685 and 810, and the enumerations of goods and the rates of duty set opposite each of these items, and by inserting therein the following items, enumerations of goods and rates of duty:

Mr. Fleming (Eglinton): With regard to this resolution, as I indicated earlier, it embraces all the textile items in italics with respect to which changes are being proposed. This resolution arises from three reports of the tariff board. The reports are those relating to hosiery and knitted goods; narrow fabrics and lace; and wool clothing and manufactures.

It is proposed to introduce 29 new or revised items which replace or consolidate 40 former items. Of the 29 new items, 19 involve the renumbering, rewording or consolidation of existing items without any substantial net change in the rates of duty. Two involve increases in duty, while eight involve decreases.

Most of the items in question were bound under the GATT. Hence negotiations with our GATT trading partners were necessary before we could act upon the tariff board's recommendations. In these negotiations our principal trading partners recognized, however, that the proposed increases were offset by equally important decreases. May I ask the hon. member for Kenora-Rainy River to pay particular attention to the next sentence? It was not necessary to provide any compensation outside the textile field in order to conclude negotiations with them. In other words, the countries concerned were satisfied that this represents a balance—the *quids* and the *quos* as recommended by the tariff board. As a matter of fact, they were so fully satisfied with the reductions recommended by the tariff board that they were not only prepared to agree to the increases recommended by the tariff board but to forgo in three respects benefits they might have expected to receive under the recommendations of the tariff board. It is clear, therefore, that resolution No. 2 is, as I have said, a balanced package which in its result involves neither higher nor lower tariffs.

There are, of course, gains from the adoption of a more logical and orderly nomenclature and arrangement of items recommended by the board. I think that all parties should benefit from this. Moreover, as I mentioned in the budget speech, the resolutions which I have introduced propose certain departures from the tariff board's recommendations, which will provide somewhat more protection for the knit goods and narrow fabrics sectors of the industry than they otherwise would have had.

As to the four departures which I have mentioned, three involve changes which were requested by Canadian textile producers, while the fourth was introduced in the course of negotiations as a result of representations made by Italy. The three departures recommended by Canadian textile producers concerned, first, knitted goods under item 568; second, socks and stockings other than wool, item 568a(2); and third, narrow fabrics of man-made fibres, item 562a(2). The fourth item which, as I have said, was the occasion of representations by Italy, concerned travel rugs under item 534a(2). I shall make this comment on the last, or fourth item, that the departure in this case from the recommendation of the tariff board involves a downward modification in a rate recommended by the tariff board. This was introduced in the course of negotiations in order to meet a special problem in our trade with Italy. The board recommended that the new tariff item for blankets, item 534(a), include travel rugs as well as household blankets. The composite m.f.n. rate of 20 per cent and 15 cents per pound provided for on this item would have

increased the effective rate on low-priced Italian travel rugs from 27½ per cent to about 45 per cent. Italy requested that a ceiling of 37½ per cent be introduced for travel rugs, and a settlement was reached on that basis.

In addition, there are a few minor non-substantive changes in wording or arrangement. Those have been introduced for technical reasons or for purposes of clarification.

Mr. Benidickson: I thank the minister for his statement introducing the amendments involved in resolution No. 2. When we get to the details of the amendments to the Customs Tariff we are, of course, confronted with a complicated affair. It is to me, and I assume it is to most members of the committee who are listening to the minister. While he was speaking I should not, perhaps, have turned away my attention from his remarks, but I was trying to count the number of items in the Customs Tariff which are up for amendment. I have not had that opportunity, but they are very numerous. They are available for hon. members to see, however, in the resolution before us and they appear at page 6673 and following pages of *Hansard* of June 20.

Mr. Fleming (Eglinton): I may tell the hon. gentleman there are changes involved this year in about 80 items.

Mr. Benidickson: Thank you. With regard to textiles, I have not made any comment with respect to the balance of tariff impost involved in these resolutions. I had referred the minister to his own statement made on budget night where he said as reported at page 6653 that these involved renegotiations because, as he has repeated now, most of the items were what we called bound; that is bound against increase under our GATT agreement. As I understand it, the minister in his last statement said that in so far as textiles are concerned, to the extent that textiles comprise items of the 80 which the minister says are in the schedules before us, it has been possible to renegotiate within that very area of textile products. I am glad to hear that. As all members know, we have an opportunity to extract this information at this stage and then we shall have, later, a bill presented giving us a further opportunity to discuss this question. I take it that as far as the 80 items are concerned some will involve textiles, the matter which the minister thought so important that he referred to it in his budget speech as reported at page 6653. I take it that has been the *quid pro quo* in the trading with the other partners in GATT within that same product area. I am glad this is so.

The minister then went on to say that there were four departures in respect of the advice that was given to the government by our tariff board, a tariff board that is now composed almost exclusively of people appointed by this government. I have no complaint about that.

Mr. Fleming (Eglinton): Not entirely.

Mr. Benidickson: Almost. Who sits on the board who was not appointed by the Conservatives?

Mr. Bell (Carleton): It is a good board, anyway.

Mr. Benidickson: I am not complaining about the board. I am saying that we have a tariff board and we would like to see that board have an opportunity to investigate the class or kind legislation. That board is composed of people appointed by this government. I have faith in them, faith in their adherence to their oath of office and their willingness to adhere, after appointment, to the laws of the land. I am not so sure, with all respect to ministers and everyone else, that this could be the result if there were not an appeal from bureaucratic decisions, including decisions of political ministers. This is one of the things about which we think.

The minister referred to four departures from tariff board decisions. Now, he skirted around that. He did give some more information when he started talking about some downward revisions of the fourth item which involved negotiations with Italy. However, when it came to three important departures from the recommendations of the tariff board, the minister simply confessed that this was true, this legislation involved three departures. He has not explained what those departures were.

Mr. Fleming (Eglinton): I shall be glad to do that.

Mr. Benidickson: I was going to ask the minister to give us information relating to those departures and the decisions in respect of them.

Mr. Fleming (Eglinton): I shall be pleased to do that. I thought we might more conveniently do that when the items are called in the schedule. If the hon. gentleman wishes it now I shall be glad to give an explanation of these three changes in detail.

The first concerned item 568, knitted goods. The tariff board recommended that no change be made in the British preferential rate of 20 per cent, but that the m.f.n. duty on these goods be reduced from 35 per cent to 32½ per cent. Imports under this tariff item average about $18 million annually, of which $6 million enter under the British preferential tariff and $12 million under the m.f.n. After reviewing the position of the knitted

goods industry, however, the government decided that on balance it would not be desirable to introduce this tariff reduction at this time.

During the textile negotiations, Austria requested a concession on women's knitted wear valued at not less than $9 per pound. In the circumstances, it was agreed to establish an item, item 568 (2), for these goods providing for an m.f.n. rate of 32½ per cent as recommended by the board. This rate has been bound to Austria and the negotiations with that country were concluded on this basis. Imports of these very high priced Austrian knit goods are not competitive with Canadian products in the same sense as lower priced items from other sources.

Then, there is item 568a (2). The tariff board recommended that the specific component of the compound duty on non-woollen hosiery be reduced from 75 cents per dozen pairs to 60 cents per dozen pairs. Again, having regard to the position of the Canadian industry, it was decided not to implement the board's recommendation in that regard.

The third item concerned narrow fabrics of man-made fibres, which is item 562a (2). The tariff board proposed the establishment of a new tariff item to cover narrow fabrics of man-made fibres, which had been classified under several different tariff items at various rates of duty. The new rates recommended by the board were British preferential, 22½ per cent and m.f.n., 25 per cent. As a concession to the industry, particularly that sector engaged in the production of synthetic tapes and other narrow fabrics classified under the previous item 562 (a) at higher rates of duty, I have proposed rates of British preferential, 25 per cent and m.f.n., 27½ per cent.

Mr. Benidickson: I think the minister said the other night relating to the tariff board report from which he had departed in his recommendations, there was one in connection with nails.

Mr. Fleming (Eglinton): That is resolution No. 3. That is not in this resolution.

Mr. Benidickson: I shall defer my remarks, then.

Mr. Fleming (Eglinton): This resolution concerns textiles only.

Mr. Benidickson: In connection with resolution No. 3, the minister will recall the Canadian Federation of Agriculture made some adverse comments about this item.

Mr. McIlraith: In connection with the minister's remarks about item 568 (2), which reads:

> Knitted garments, women's and girls, wholly or in chief part by weight of wool or hair, valued at not less than $9 per pound.

[Mr. Fleming (Eglinton).]

There does not seem to be any provision for the new luxury items of knitted silk. They are from Italy. Are they dealt with under this item?

Mr. Fleming (Eglinton): If I understand the item to which the hon. gentleman refers, it is not covered by this resolution at all. It is elsewhere.

Mr. McIlraith: There is no change, then.

Mr. Fleming (Eglinton): It is not in the budget resolutions at all.

Mr. McIlraith: There is one other matter which I think should be clarified at this stage. The form of the schedule takes out certain tariff numbers and then substitutes new ones. Sometimes the items substituted do not coincide by number and we find, in the form of the resolution, that the rates proposed are printed and then the rates in effect are printed on the same page. Sometimes the rates proposed in this budget are the same. For example, in respect of item 522 (4), the rates are the same in both instances. I take it that the change there is in the wording which is in italics.

Mr. Fleming (Eglinton): That is correct; as I said earlier, most of the changes here concern matters of nomenclature. This is part of the revision that the board recommended.

Mr. McIlraith: And the changes in nomenclature may arise out of combining items or dropping items and renumbering items as, for instance, in item 522 (4); that sort of thing?

Mr. Fleming (Eglinton): That is correct.

Mr. Pickersgill: I understand that generally in these negotiations if there are concessions under GATT there is one particular country with which principal negotiations are conducted. Could the minister say which one it was in connection with these items?

Mr. Fleming (Eglinton): There were a number of countries involved in these changes. The country more concerned than any other in these items, in terms of volume, was the United States.

Mr. Pickersgill: Does Japan take any part in these negotiations, or is our trade with Japan exclusively governed by the Canadian-Japanese agreement?

Mr. Fleming (Eglinton): There is obligation under GATT, of course, to consult with GATT countries having a supplying interest, and in this case Japan, along with other countries, was consulted.

Mr. Benidickson: The minister indicated in respect of the items involved in resolution

No. 2, which are textile items that have been traded within that group, that the United States was the principal trading country involved. What would be the second and third traders that were involved in these changes?

Mr. Fleming (Eglinton): The second would be the United Kingdom; the third, France.

The Chairman: Shall the resolution carry?

Mr. Pickersgill: Just before it carries I have one question I want to ask out of sheer curiosity. Will the minister tell me what a pantagraph is?

Mr. Hellyer: Something like a pantaloon.

Mr. Pickersgill: I refer to item 685.

Mr. Benidickson: The practice has been, as we deal with resolution No. 1, to call the items, item 522 being the first one. I suggest that as we deal with these items we have to watch the wording; it is rather involved. I also suggest, Mr. Chairman, that you call the items slowly. So far as I am concerned I am prepared to have the items called at this stage in resolution No. 2 if we do not do it too quickly because we have to observe the language.

Mr. Fleming (Eglinton): I think I should not keep the hon. member for Bonavista-Twillingate in a condition of curiosity any longer. A pantagraph is part of a printing press.

Mr. Pickersgill: Is it a textile?

Mr. Fleming (Eglinton): No.

Mr. McIlraith: I notice from the form of 685 that there are no italicized words in the definition and there is no change in the rate of duty. Why is the item in here?

Mr. Fleming (Eglinton): This item continues without change that portion of the former tariff item 685 relating to pantagraphs and parts, engraving mills and other machinery used in printing textiles and wallpapers.

As a result of the tariff board's recommendations, blankets and blanketing used by textile manufacturers and wallpaper printers have been deleted from item 685. Blanketing for textile machinery will fall under the new item 534c.

In a word, you have a residue now of the former tariff item 685.

Mr. Pickersgill: In which there is no change?

Mr. Fleming (Eglinton): That is right.

The Chairman: Is it agreed that we call the items one by one?

Mr. Fleming (Eglinton): I thought it was agreed that hon. members were satisfied with the items in resolution No. 2.

Mr. Benidickson: I think the practice of years has been to call the items without undue haste. I leave it to the chairman's discretion.

Items 522 and 528 agreed to.

Customs tariff—532f. Woven billiard cloth composed wholly or in part of wool or hair; melton cloth for use in the manufacture of tennis balls: British preferential tariff, free; most-favoured-nation tariff 20 per cent; general tariff, 40 per cent; and, per pound, most-favoured-nation tariff, 25 cents; general tariff, 35 cents.

Mr. Pickersgill: Can the minister tell us whether there is any large quantity of this billiard cloth made in Canada, and where it is made?

Mr. Fleming (Eglinton): The imports in this case come almost entirely from the United Kingdom. As to Canadian manufacture, I am told that none of this is made in Canada.

Item agreed to.

Item 532g agreed to.

Customs tariff—533a. Clothing, wearing apparel and articles made from woven fabrics, and all textile manufactured, wholly or partially manufactured, composed wholly or in part of wool or hair, when the textile component thereof is not more than 50 per cent, by weight, of silk, n.o.p.: British preferential tariff, 25 per cent; most-favoured-nation tariff, 27½ per cent; general tariff, 55 per cent.

Mr. Benidickson: I notice the additional words at the end of the paragraph. The emphasis is on products of silk. I would not think that they are important to our trade with the United States or the United Kingdom. I was wondering about the significance of our trade under this item? With what country do we find that this change will be most important? What other trading nations will this be important to?

Mr. Fleming (Eglinton): The United Kingdom.

Item agreed to.

Item 533b agreed to.

Customs tariff—534a. (1) Household blankets of any material except wholly of cotton: British preferential tariff, 20 per cent; most-favoured-nation tariff, 20 per cent; general tariff, 40 per cent and, per pound, British preferential tariff, 5 cents; most-favoured-nation tariff, 15 cents; general tariff, 30 cents.

(2) Automobile rugs, steamer rugs, travel rugs and similar articles of any material except wholly of cotton: British preferential tariff, 20 per cent; most-favoured-nation tariff, 20 per cent; general tariff, 40 per cent; and, per pound, British preferential tariff, 5 cents; most-favoured-nation tariff, 15 cents; general tariff, 30 cents.

The total duty leviable shall not be in excess of: most-favoured-nation tariff, 37½ per cent.

Mr. Benidickson: The minister has already made reference to blankets from Italy as being important in some of the changes we are making here. Is this where we must consider the blanket matter with respect to Italy?

Mr. Fleming (Eglinton): Yes, this is the item, 534a (2).

Mr. Hellyer: Can the minister say why the general tariff rate on this item was increased?

Mr. Fleming (Eglinton): The hon. member understands that practically all of our trade is carried on under British preferential and m.f.n. items. As a rule of thumb it is usually considered desirable that the general rate be double the British preferential rate.

Mr. Hellyer: If that is true, Mr. Chairman, it was much less than double before the change, and now it has been increased to double the smaller amount. The minister might give us some explanation as to why this change was considered necessary?

Mr. Fleming (Eglinton): It is a sort of rule of thumb, and that rule had not been evident in this item previously. The tariff board report concerned itself with the British preferential and m.f.n. rates and, as I say, practically all of the trade here is carried on under these categories.

Mr. Benidickson: In so far as Italy is concerned, which apparently is the country of primary export, or import, if you want to call it that, for what is generally referred to in paragraph (2) as automobile rugs, the rate goes up under the most-favoured-nation item and this of course includes Italy. The rate goes up from 20 per cent to 27½ per cent. Specifically, what do we have to give away to Italy in our GATT negotiations to do the right thing by them in the renegotiations?

Mr. Fleming (Eglinton): Well, the *quid pro quo* is to be found within this item 534a. The hon. member has referred to the increase with respect to the second part of the item, the rugs, but he will find an offset in 534a (1), under blankets.

Item agreed to.

Customs tariff—534b. Press blankets or blanketing for use with printing presses and stereotypers' and type casters' blankets or blanketing, of a class or kind not made in Canada: British preferential tariff, free; most-favoured-nation tariff, 5 per cent; general tariff, 10 per cent.

Mr. Benidickson: This poses a technical difficulty for members of the committee trying to follow this type of legislation. We know that generally we look to the columns to see a change in the rate. When we look at the rates in effect prior to the rates proposed in the budget as against the rates given to us in the schedule to the left, we are in this difficulty. The print is very fine. I may be missing the obvious; I confess that immediately, but on a quick glance at item 534b as a member of the committee I do not see the obvious things that we look for, namely either a change in the rate or italicized changes in language.

Mr. Fleming (Eglinton): You have the italics only where new words are introduced. Where there are no italics obviously the change has consisted of deletions.

Mr. Benidickson: What are the deletions of words that are not obvious to a member of the committee without asking a question?

Mr. Fleming (Eglinton): The old item 538h read as follows:

Stereotypers and typecasters' blankets or blanketing and press blankets or blanketing used for printing presses, of a class or kind not made in Canada.

Mr. Pickersgill: Could the minister say what has happened to the omitted parts?

Mr. Fleming (Eglinton): This is a very slight change in wording which is introduced solely for the purpose of clarification—

Mr. Pickersgill: There is no change at all then.

Mr. Fleming (Eglinton): —as recommended by the tariff board.

Mr. Pickersgill: It is just semantics.

Mr. Fleming (Eglinton): Modernization.

Item agreed to.

Customs tariff—534c. Blankets, blanketing and lapping for use by textile manufacturers on machines used in the manufacture of textiles: British preferential tariff, free; most-favoured-nation tariff, free; general tariff, free.

Mr. Pickersgill: What about this item? Is this the item that is related to pantagraphs?

Mr. Fleming (Eglinton): No, we are a long way from that.

Mr. Pickersgill: Which is the item related to pantagraphs?

Mr. Fleming (Eglinton): Pantagraphs are in the last item.

Mr. Pickersgill: The minister said there was an item related to pantagraphs that was omitted from it.

Mr. Fleming (Eglinton): Oh, I will give you that. The item, blanketing for textile machinery, will fall under the new item 534c.

Mr. Pickersgill: In other words, the minister might perhaps apologize because it turns out this is the item that was extracted from the pantagraph item, which was what I asked in the first place.

Mr. Fleming (Eglinton): I have given the answer.

Mr. Pickersgill: First you said no.

Mr. Fleming (Eglinton): No, I did not say no.

Mr. Pickersgill: Then I was somewhat insistent and you finally looked it up with your officials and you found out that that was right. I thought it was from the original explanation you gave. The reason I raise this question is that there does not appear to be any change in the rates at all and I wonder why they have been separated. What purpose was served by all this?

Mr. Fleming (Eglinton): Mr. Chairman, this item continues part of tariff item 685 with no change in rates and with minor changes in wording. The new item is as recommended by the tariff board except that the words "on machines used in the manufacture of textiles" were added. This change was made at the request of Canadian blanket manufacturers to preclude the possibility of blankets and blanketing being imported by Canadian manufacturers for further processing into blankets, clothing and other manufactured articles for resale.

Mr. McIlraith: So that there is in effect a change by limiting the articles coming in under this item to the end use to be made of them. It is an important clarification and I think a desirable one.

Mr. Fleming (Eglinton): But that in itself is only a clarification.

Item agreed to.

Customs tariff—541b. Woven fabrics, wholly of jute, not exceeding 12 inches in width: British preferential tariff, 15 per cent; most-favoured-nation tariff, 22½ per cent; general tariff, 30 per cent.

Mr. Benidickson: With respect to item 541b I would assume that the minister's answer as to item 534b would be applicable here, namely, that there are some words omitted. If so, would he tell us briefly what the words are that are omitted because otherwise the words before and after would appear to be the same.

Mr. Fleming (Eglinton): This item retains without change in rate or wording that portion of the former item 541b relating to woven fabrics of jute. Braided fabrics will fall under the new tariff item 565b under the words "Braids of all kinds, n.o.p."

Mr. Pickersgill: The minister said that there was no change in rate but it appears to me that the general rate is changed. It is 30 per cent in one case and 25 per cent in the other. What is the reason for that?

Mr. Benidickson: The general tariff is not usually important. Why is there a change there?

Mr. Fleming (Eglinton): The same observation applies as I made to the hon. member for Trinity. The tariff board concerned itself with the British preferential and most-favoured-nation rates. We have very little trade under the general tariff and the change so far as the general tariff is concerned is one to bring the rate into line with the general practice.

Mr. Hellyer: The rule of thumb given by the minister before was that the general rate should be doubled the most-favoured-nation rate.

Mr. Fleming (Eglinton): No, double the British preferential rate.

Item agreed to.

Items 542a and 562a agreed to.

Customs tariff—562j. Bolting cloth for sifting flour in flour mills: British preferential tariff, free; most-favoured-nation tariff, free; general tariff, 45 per cent.

Mr. Pickersgill: Is this something entirely new?

Mr. Fleming (Eglinton): Prior to the budget of March, 1960, bolting cloth entered duty free under the former tariff item 563. The tariff board recommended that this item be deleted from the tariff and this was done by the budget resolutions of March, 1960. As a result, silk bolting cloth became dutiable under existing tariff item 552a at British preferential 12½ per cent and most-favoured-nation 22½ per cent. Synthetic bolting cloth became dutiable under the previous tariff item 562a at British preferential 22½ per cent and most-favoured-nation 30 per cent and 20 cents per pound. The new item has been established as a concession jointly to the Canadian flour milling industry and to Switzerland in order to facilitate the textile negotiations with that country.

Mr. Benidickson: We have very few items left to deal with under this resolution. Would the minister indicate in trade or dollar value which are the most important items? We in the opposition lose touch with the consequential items involved in a technical schedule of this kind. Among those items that are yet to be dealt with, which ones really involve important dollar values? When we have the amendments to the Customs Tariff we will

have an opportunity to go over each of these items again in the schedule but perhaps the minister would give us that information as the hour is getting late.

Mr. Fleming (Eglinton): I would not say that any of these are very large items. Probably the largest in this group is 568. Imports under 568 average $18 million annually. That is the knitted goods item, and $6 million enter under the British preferential tariff and $12 million under the most-favoured-nation tariff. That is by far the largest of these items. Individually the others would not be regarded as large items.

Mr. Benidickson: And these, of course, will appear in the schedule to the bill that is going to be presented to us and we will have an opportunity to reconsider some of these items then.

Mr. Fleming (Eglinton): Yes, the schedule will be in the bill as in the resolution.

Item agreed to.

Items 565a, 565b, 565c, 565d, 566a and 566b agreed to.

Customs tariff—568. (1) Knitted garments, knitted fabrics and knitted goods, n.o.p.: British preferential tariff, 20 per cent; most-favoured-nation tariff, 35 per cent, general tariff, 55 per cent.
(2) Knitted garments, women's and girls', wholly or in chief part by weight of wool or hair, valued at not less than $9 per pound: British preferential tariff, 20 per cent; most-favoured-nation tariff, 33½ per cent; general tariff, 55 per cent.

Mr. Benidickson: The minister was good enough to say that this was perhaps the most important item so far as dollar value is concerned. We have the words "knitted fabrics" added here. What is the significance of adding those words?

Mr. Fleming (Eglinton): This is a clarification only.

Item agreed to.

Items 568a and 619 agreed to.

Customs tariff—685. Pantagraphs and parts thereof, including diamond points, and engraving mills, for engraving copper rollers used in printing textiles and wallpapers: British preferential tariff, free: most-favoured-nation tariff, free; general tariff, free.

The Chairman: Shall item 685 carry?

Mr. Pickersgill: On division.

Item agreed to.

Resolutions reported and concurred in.

BUSINESS OF THE HOUSE

Mr. Pickersgill: I wonder whether the house leader could indicate what the business will be for the rest of the week and, if possible, as has been the custom in the past, indicate the business for next week.

[Mr. Benidickson.]

Mr. Churchill: It is not possible to carry on the custom which we have been following over the last two years, and to indicate the business for next week. The hope of the house, of course, is that we can finish the essential items that are in front of us as quickly as possible. However, I think it is wiser to announce the business from day to day. Tomorrow we will carry on with the resolutions following the budget.

Mr. Pickersgill: I assume the minister meant what he said, namely that he hoped to get through all the essential business. It would appear to me that there might be a considerable probability that the budget resolutions would not take all of tomorrow. Surely the government has some other business.

Mr. Churchill: Nothing pleases me more than does the request of the house for more business for tomorrow. We have on the order paper Bill No. S-28, to amend the Trust Companies Act.

Mr. Pickersgill: Surely that is not essential business. That was not in the Prime Minister's list.

Mr. Churchill: These have been through the house and then over to the other place. Then there is Bill No. S-29 to amend the Loan Companies Act. Then there is the resolution in the name of the Minister of Finance dealing with the Industrial Development Bank Act.

Mr. Pickersgill: And after that what is there? We are seeking to expedite the business of the house and we should like to have enough business to take a whole day.

Mr. Churchill: We fully appreciate that. There is the resolution in the name of the Minister of Transport in connection with the Pine Point railway which also could be considered.

Mr. Pickersgill: Is that one of the items the Prime Minister indicated was essential?

Mr. Churchill: No.

Mr. Pickersgill: Would the minister say whether this program will go on for Saturday as well or could he indicate what would be happening on Saturday?

Mr. Benidickson: Will estimates be taken on Saturday?

Mr. Churchill: No. The intention will be to complete, in so far as we can, the resolutions and the bills following the budget. If the house passes the resolutions tomorrow, as has now been indicated, then of course, I think the bills would normally follow on Saturday.

Mr. Pickersgill: On that point, if I may do so, I think I should say this. Since we are seeking to expedite the closing of the session or the adjournment, whichever it is, I would suggest this to the minister. I do not believe that, in all the period during which I have observed parliament it has ever been customary to take budget bills immediately after the resolutions. There has always been at least an interval of a full day in order to give the opposition a full opportunity to consider the debate on the resolution stage. I suggest that much greater progress would be made if the government did not seek to depart from that usual convention and would find some other business for Saturday.

Mr. Churchill: For Saturday, and the bills on Monday?

Mr. Pickersgill: I do not think we could possibly object, after the week end, to having the bills.

Mr. Churchill: These useful suggestions will be taken into consideration and an announcement will be made tomorrow.

Mr. Pickersgill: There is no question that it is the intention of the government to have the house sit on Saturday, notwithstanding the fact that it is July 1?

Mr. Churchill: In the past we have frequently sat on July 1.

Mr. Pickersgill: Quite so. We are not objecting.

It being 38 minutes after ten o'clock the house adjourned, without question being put, pursuant to special order.

HOUSE OF COMMONS

Friday, June 30, 1961

The house met at 11 a.m.

PRIVILEGE

MR. CHEVRIER—REQUEST FOR STATEMENT BY ACTING REVENUE MINISTER

Hon. Lionel Chevrier (Laurier): Mr. Speaker, I am rising on a question of privilege affecting the rights of all members of this house. I wish to do so very calmly and objectively, because I recognize the difficulty in which the minister concerned finds himself.

The question of privilege, sir, is that an official of the Department of National Revenue gave in evidence to a provincial royal commission information which the minister declined to give to this house regarding the administration of the department for which he is temporarily responsible. I refer to evidence given by Mr. Frank Gervais yesterday in contradiction of Senator Courtemanche. We do not ask the minister to give us any information which the law forbids him to give, but we believe the minister should prepare a careful statement for tomorrow giving us every bit of information which the law permits him to give, and certainly as much information as was given to the provincial royal commission. May I ask the minister if he is going to say anything in reply.

Hon. J. W. Monteith (Acting Minister of National Revenue): Mr. Speaker, yesterday I indicated that an assessor from the tax department had visited this particular place of business, as is done frequently in respect of many businesses. I do not feel that I have kept any information from the house. I indicated at that time that the assessor had visited the hospital. In fact, what I did say was that an inspector of the department had visited the Jean Talon hospital just as inspectors of the department visit many other places of business during the course of their duties. I do not see that anything further should be done.

Mr. Chevrier: Mr. Speaker, on the question of privilege, there is certainly a difference of opinion in that—

Mr. Speaker: Order. The matter should not be debated. The hon. member has made clear his alleged point of privilege. There is no motion before the house at this time.

EXTERNAL AFFAIRS

LAOS—SUGGESTED PROVISION OF HELICOPTERS BY CANADA

On the orders of the day:

Hon. Paul Martin (Essex East): Mr. Speaker, may I ask a question of the Secretary of State for External Affairs. Does he not think, in view of the position which I think he has properly taken with regard to steps for the efficient operation of the commission in Laos, that Canada might itself supply the three helicopters necessary for the successful operation of that commission, because of the intransigent attitude taken by the Soviet union and perhaps other difficulties that attend the attitudes of certain other countries at the Geneva conference?

Hon. Howard C. Green (Secretary of State for External Affairs): Mr. Speaker, I am a little surprised that the hon. member for Essex East should try to complicate an already difficult situation. We have taken our stand at Geneva during the conference there demanding that the co-chairmen provide the commission with adequate equipment. There was a meeting yesterday to deal with the problem, and I am very hopeful that it will now be solved. There is equipment actually in Laos, some of which was offered by the United States. France, in addition, offered certain equipment. Nobody can put the equipment in without the consent of the co-chairmen. The situation is not just as simple as the hon. member has indicated. I can assure him that the government is doing the very best it can to see that this commission gets proper equipment.

CZECHOSLOVAKIA—EFFORTS TO OBTAIN RELEASE OF CANADIAN CITIZEN

On the orders of the day:

Mr. Arthur Maloney (Parkdale): Mr. Speaker, may I address a question to the Secretary of State for External Affairs. I wonder whether the Secretary of State for External Affairs could inform the house as to the progress that has been made in attempting to persuade the authorities of Czechoslovakia to bring about the release of Mr. Milorad Cop.

Hon. Howard C. Green (Secretary of State for External Affairs): Mr. Speaker, the house will recall that last November I reported on the arrest and subsequent trial of Milorad

Cop, a Canadian who was visiting Czechoslovakia. At that time the government was pressing to have an interview with Mr. Cop. This was allowed in January, following completion of the appeal procedure through which his sentence of seven years imprisonment was confirmed.

At the urging of our legation Mr. Cop has been allowed to receive parcels of food, and a further consular visit was arranged. During these interviews it became obvious to our consul that Mr. Cop's health was deteriorating as a result of his confinement. Our serious concern for his health has been brought to the attention of the Czechoslovak authorities on several occasions, and our representations have been broadened on the basis of humanitarian considerations to include a formal request for Mr. Cop's release and return to Canada.

These representations have been through normal diplomatic channels but have been made at a high level in order to emphasize the deep concern of the Canadian government for the welfare of this Canadian citizen. I myself have spoken to the Czechoslovak minister in Ottawa on the subject. Our representations have not thus far had the desired result, but I think we must give the Czechoslovak authorities time to weigh all the factors bearing on this case in the hope that they will eventually recognize the value to our relations of a concrete humanitarian gesture.

POWER

COLUMBIA RIVER—INQUIRY AS TO CURRENT NEGOTIATIONS

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I wish to ask a question of the Minister of Finance. My curiosity has been stimulated by information I have received through the pipe line, the pump line and the grapevine. My question is based on an understanding that negotiations between the Minister of Finance and the premier of British Columbia in respect to the Columbia development have been continuing through correspondence. In view of the fact that there appears to be a stalemate, and because the house has not been informed of developments to date, is the minister in a position now to further inform this house in regard to this interesting question?

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, I wrote a letter to the premier of British Columbia on May 17 setting forth the views and the offer of the federal government. As I reported to the house subsequently, I had a meeting with the premier during a visit he made to this neighbourhood some few days later. We had a further discussion on the subject at that time. He subsequently wrote me a letter dated June 9 which contained further views of his government in relation to the terms that had been discussed.

Mr. Herridge: Mr. Speaker, I should like to ask a supplementary question. Has Premier Bennett expressed any opposition to the tabling of correspondence later than that already tabled?

Mr. Fleming (Eglinton): He has not, and when I talked to him in late May he was not prepared to agree to the release of the letter I had written to him on May 17. It may be that now that he has replied to that letter he would be agreeable to the tabling of both letters in the house. I have not received any consent or approval from him to that course as yet.

Mr. Pickersgill: I wonder whether I may ask the minister a supplementary question. Is the minister planning to take advantage of the Social Credit national convention to have a further conference with Mr. Bennett on this matter?

Mr. Fleming (Eglinton): Mr. Speaker, I have not been invited to that conference.

IRRIGATION

SOUTH SASKATCHEWAN RIVER—REPORTED UNSUITABILITY OF LAND

On the orders of the day:

Mr. Hubert Badanai (Fort William): Mr. Speaker, I wish to direct a question to the Prime Minister. Has the Prime Minister any comment to make on the statement made by Mr. J. M. Cook of Regina, chief engineer of the Saskatchewan water development branch to the effect that more than half of the 430,850 acres which were to have been irrigated by the South Saskatchewan river dam project are unsuitable for irrigation because of high sodium content—

Mr. Speaker: Order. I do not think the hon. member has brought forward a matter of such immediate and urgent importance which would warrant asking for comment.

Mr. Badanai: Mr. Speaker, I sent the Prime Minister notice of my intention to ask the question. Perhaps he has the answer.

Mr. Speaker: If the Prime Minister wishes to deal with it of course I would not want to prevent him from doing so, but in my opinion it is not an appropriate question for the orders of the day.

HOUSE OF COMMONS

PRESENCE IN GALLERY OF OFFICERS AND MEN FROM H.M.C.S. "CORNWALLIS"

On the orders of the day:

Mr. E. L. Morris (Halifax): Mr. Speaker, on the eve of Canada's 94th national birthday, to aid in which observance they have come from all parts of Canada, may I be permitted to draw attention to the presence in the galleries of approximately 180 officers and men of the sunset guard, band and gun crews, of the Royal Canadian Navy's new entry training establishment in Nova Scotia, H.M.C.S. *Cornwallis,* and ask the Minister of National Defence whether he has a greeting for these men.

Hon. D. S. Harkness (Minister of National Defence): Mr. Speaker, the representatives of the Royal Canadian Navy in the gallery today are here in Ottawa to perform the R.C.N. sunset ceremony as part of our Dominion day celebration. There are three performances being given on parliament hill; one was given last night, one will be given tonight and one on Dominion day, and the public is cordially invited to attend.

I might point out that the approximately 180 officers and men carrying out this ceremony are from H.M.C.S. *Cornwallis,* the Royal Canadian Navy new entry training establishment, and the majority are young sailors who joined the navy some three months ago and are now completing their basic training at *Cornwallis.* I am sure those who attend these ceremonies will appreciate not only the high calibre of these young men who have elected to serve their country in the R.C.N. but also this evidence of the excellent quality of the training they are receiving.

Hon. Paul Hellyer (Trinity): Mr. Speaker, may I say on behalf of the opposition that we are delighted to have this fine group of young sailors with us. We know they have come from one of Canada's oldest and most distinguished provinces, and we rejoice with the members from that province in having them here to visit us. We also appreciate the performance they have already given and the others they are to put on this evening and tomorrow. We hope they will enjoy their stay here; we agree with the minister that they represent a cross section of the finest and best of young Canadian manhood. They are in fact the people on whom we shall have to rely in the future for the growth and development of this country.

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, on behalf of this group I join with the Minister of National Defence and the spokesman for the Liberal party in extending a welcome to these young members of the Royal Canadian Navy. Not only will we have the advantage of enjoying their entertainment and witnessing their skills, but we trust they will have a very happy, enjoyable and fruitful experience during their visit to Ottawa.

AIR TRANSPORT

RENEGOTIATION OF U.S.-CANADA BILATERAL AGREEMENT

On the orders of the day:

Hon. Lionel Chevrier (Laurier): Mr. Speaker, I should like to direct a question to the Minister of Transport. Is it a fact that the discussion in Washington on the United States-Canada bilateral air agreement are leading to an early collapse, as appears in a report datelined Washington and appearing in the Toronto *Star* on June 28? Can the minister report on the progress of these negotiations?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, as I said the other day, a Canadian delegation has met with representatives of the United States government to discuss in general fashion matters concerning the bilateral agreement between our two countries. As I said at that time, these were preliminary talks. My understanding is that there was an exchange of views. The Canadian delegation has expressed the views of our government on this matter. So far the meetings have been strictly preliminary, and we hope to resume talks with the Americans some time in the fall.

Mr. Chevrier: I should like to ask a supplementary question. In the report to which I have referred it is noted that a United States delegate made the comment that he could not say what progress could be made until he knew what was on the minds of the Canadian delegates. My question is, can the minister comment on this statement, and indicate what the Canadian team is seeking from the United States in these discussions?

Mr. Balcer: Mr. Speaker, the purpose of the meeting was to study in a preliminary fashion the bilateral agreement between our two countries. Canada would like the bilateral agreement to be reconsidered and studied anew by the two countries, and we have given the Americans the reason why we want the bilateral agreement studied again.

Inquiries of the Ministry

CANADIAN NATIONAL RAILWAYS

HALIFAX-NEWFOUNDLAND—BILL OF LADING COVERAGE ON SHIPMENTS

On the orders of the day:

Mr. J. R. Tucker (Trinity-Conception): I should like to direct a question to the Minister of Transport. Would the minister please advise the house whether he has received a brief from Mr. Norman Smith, president of the board of trade, St. John's, to the effect that since confederation an arrangement has been in effect whereby goods shipped on the C.N.R. from points on the mainland through Halifax and thence by private steamships to Newfoundland are carried on the one through bill of lading, and that the cancellation of this practice would adversely affect the trade of St. John's? If so, what reply has he made?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, I did receive a brief from Mr. Smith, and I have written to him that I am bringing his representations to the attention of the management of the C.N.R.

THE CENSUS

VANCOUVER—ISSUE OF SUMMONS FOR FAILURE TO ANSWER QUESTIONS

On the orders of the day:

Mr. J. P. Deschatelets (Maisonneuve-Rosemont): I should like to direct a question to the Minister of Trade and Commerce. Has the minister any information to give the house with respect to a summons served on a Vancouver television and radio commentator in connection with his answers to questions on the census? Would the minister advise whether this is the only case of a summons being issued in connection with failure to answer questions on the census forms?

Hon. George H. Hees (Minister of Trade and Commerce): Mr. Speaker, I think that question sounds like one that would be better placed on the order paper and answered in detail.

NATIONAL DEFENCE

VOODOO AIRCRAFT—REPORTED CLOSING OF PRODUCTION LINE

On the orders of the day:

Hon. Paul Hellyer (Trinity): I should like to direct a question to the Minister of National Defence. Can the minister say whether it is a fact, as reported in this morning's *Globe and Mail,* that the McDonnell Aircraft production line of Voodoo aircraft was completed in December of last year?

[Mr. Balcer.]

Hon. D. S. Harkness (Minister of National Defence): Mr. Speaker, I am not certain of the date that production line may have shut down, but the production run of F-101 planes was completed some time a few months ago.

Mr. Hellyer: A supplementary question, Mr. Speaker. Can the minister say when he expects that these planes will be put into operational service in Canada?

Mr. Harkness: We expect to start forming the squadrons this fall. Some will be in operation before the end of the year.

[*Later:*]

Mr. Harkness: Mr. Speaker, in connection with the time at which the F-101 planes will come into operation I may have left the wrong impression. As I said, the squadrons will begin to be formed this year but they will not be operational as squadrons, although some F-101's will be flying and in operation until some time in 1962.

NORTHERN AFFAIRS

RESOURCES FOR TOMORROW—PARTICIPATION IN CONFERENCE BY HOMER STEVENS

On the orders of the day:

Hon. W. G. Dinsdale (Minister of Northern Affairs and National Resources): Mr. Speaker, yesterday the hon. member for Bonavista-Twillingate inquired whether Mr. Homer Stevens of the fishermen's union in British Columbia had been invited to participate in the resources for tomorrow conference to be held in Montreal October 23-28, 1961.

I can now inform the hon. member that following a meeting of the policy subcommittee of ministers from the provinces and myself in May, 1961, about 300 persons were selected to participate in the technical discussions of the workshops considering the various aspects of the six renewable resource sectors. Among the participants who were approached was Mr. Stevens, to whom an invitation to attend this conference was extended by the province. As hon. members know, the conference is sponsored by the ten provinces with the federal government.

In answer to the second part of the hon. member's question, Mr. Stevens was a member of the advisory group on fisheries which met in Ottawa last March. Other members of the advisory group are as follows: Hon. James C. Sinclair, president, fisheries association of British Columbia; Dr. P. A. Larkin, director of University of British Columbia institute of fisheries; Mr. C. J. Morrow, president, Lunenburg Sea Products; Dr. W. R. Martin, fisheries research board, St. Andrews, New Brunswick; Dr. K. Doan, department of mines and natural resources, Winnipeg, Manitoba; Dr. J. R.

Dymond, department of zoology, University of Toronto; Dr. Raymond Gushue, president, Memorial University, St. John's, Newfoundland; Mr. A. H. MacDonald, natural resources department, Saskatchewan; Professor H. S. Gordon, Carleton University, Ottawa; Dr. Arthur Labrie, deputy minister of fisheries, Quebec; and Dr. Harry Winsor, Newfoundland fisheries development authority.

Mr. Pickersgill: A supplementary question, Mr. Speaker. Would it be correct to say that the short answer, based on what the minister has said, is that this communist will be participating in the conference?

UNEMPLOYMENT INSURANCE

PAYMENTS TO PERSONS ATTENDING PRECENSUS SCHOOLS

On the orders of the day:

Hon. Michael Starr (Minister of Labour): Mr. Speaker, yesterday the hon. member for Bonavista-Twillingate asked whether census takers had received unemployment insurance benefits while taking a course on census matters in Toronto.

I am informed by the unemployment insurance commission that five half day courses were given and that those taking the courses received $5 for each session. This money was considered as earnings by the commission, and after making allowance for the amount which come under permissible earnings the remainder was deducted from the amount of benefit which went to each claimant. In the case of a person whose weekly benefit was $30, if that person had earned $25 through taking these courses, then after the allowable portion of $15 was deducted the remaining $10 would be taken off the benefit and the person would get $20 for that week instead of $30.

This is only an example and, of course, I would not be able to go into further details unless the hon. member is in a position to inform me of the specific case he has in mind, which he has not done as yet.

BUSINESS OF THE HOUSE

EXCISE ACT—REQUEST TO REVERT TO MOTIONS

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, may I ask leave of the house to revert to motions for the purpose of introducing a bill pursuant to the report presented last evening by the committee of ways and means and adopted by the house. The bill is entitled an act to amend the Excise Act. It will facilitate the earlier distribution of the bill.

Mr. Speaker: Has the hon. minister leave to revert to motions?

Some hon. Members: Agreed.

Mr. Speaker: Is the minister proposing to move first reading?

Mr. Fleming (Eglinton): Yes, Mr. Speaker.

EXCISE ACT

Hon. Donald M. Fleming (Minister of Finance) moved for leave to introduce Bill No. C-115, to amend the Excise Act.

Mr. Speaker: Has the minister leave to introduce the said bill?

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, I would just like to clarify a point before leave is given. It will be understood that the undertaking given by the house leader last night still stands, that this bill will not be proceeded with before Monday.

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, I did not understand it that way. I understood that the hon. gentleman wished to have the bill in his hands for 24 hours, and that was the reason for asking leave to introduce it at this point this morning. The resolution was reported last night.

This is one of the bills that simply set forth in the same terms the language of the resolution. This is not like the Income Tax Act. There are bills to amend the Excise Act and the Customs Tariff which simply reproduce the precise language of the resolution. This bill introduces only the one amendment.

Mr. Pickersgill: I want to make it very plain that it was my clear understanding that the house leader gave us an assurance that the budget bills would not be taken up before Monday.

Hon. Gordon Churchill (Minister of Veterans Affairs): Mr. Speaker, I wonder whether I might say a word here. I did not give a firm assurance. The question was asked based on a reasonable request. It has been under consideration. Within half an hour I will have a program for discussion with party leaders on the other side of the house concerning the completion of the work of the session. I wonder whether the hon. member would let that matter stand until we have that conference.

Motion agreed to and bill read the first time.

Mr. Speaker: When shall the said bill be read the second time? Next sitting of this house?

Some hon. Members: Agreed.

Inquiries of the Ministry

DEFENCE PRODUCTION

CF-104G—REQUEST FOR STATEMENT ON PRIME CONTRACTORS

On the orders of the day:

Mr. John Smith (Lincoln): Mr. Speaker, I should like to direct a question to the Minister of Defence Production concerning the NATO defence program for the production of CF-104G aircraft. Due to the fact that unconfirmed information has apparently been circulated in connection with this matter, is the minister now prepared to make an official statement of what Canadian companies will be the prime contractors for the building of the CF-104G aircraft? I might say, Mr. Speaker, that I have given the minister a copy of this question.

Hon. Raymond O'Hurley (Minister of Defence Production): Mr. Speaker, I will give the major contractors and subcontractors for the Canadian CF-104 program and their places of business. These same firms will be used on the F-104G program to be jointly financed by Canada and the United States, and produced in Canada:

Canadair,	Montreal
Avro Aircraft,	Toronto
Orenda Engines,	Toronto
Canadian Car & Foundry,	Fort William
Dominion Rubber,	Kitchener
Jarry Hydraulics,	Montreal
Aviation Electric,	Montreal
Canadian General Electric,	Peterborough
Canadian Steel Improvement,	Toronto
York Gears,	Toronto
Thompson Products,	St. Catharines
Lucas-Rotax,	Toronto
Canadian Westinghouse,	Hamilton
Renfrew Aircraft & Engineering,	Renfrew
Canadian Pratt & Whitney,	Montreal
Bristol Aero Industries Ltd.,	Winnipeg
Light Alloys,	Renfrew
Northern Electric,	Belleville
Garrett Manufacturing,	Toronto
Dowty Equipment,	Toronto
Computing Devices,	Ottawa
Collins Radio,	Toronto
Minneapolis-Honeywell,	Toronto

There are many other subcontractors whose contracts, while not large, will be significant in relation to the size of the company.

Hon. Paul Hellyer (Trinity): A supplementary question, Mr. Speaker. Can the minister say what major United States firms will be involved in the production of these aircraft? Does the minister have a list of those?

Mr. O'Hurley: Would the hon. member repeat the question? I did not quite hear it.

Mr. Hellyer: Does the minister have a list of the major United States companies who supply components for the F-104G?

Mr. O'Hurley: The major portion of all the parts for this program are being manufactured in Canada under licence. There will be some items purchased in the United States. The list will not be very long. I have not this list with me today. I will get it for the hon. gentleman.

[Mr. Speaker.]

POST OFFICE DEPARTMENT

OPERATION OF STAMP VENDING MACHINES ON SUNDAY

On the orders of the day:

Mr. Arnold Peters (Timiskaming): Mr. Speaker, could I ask the Postmaster General a question. In view of the recent supreme court decision prohibiting the operation of coin laundries on Sunday, has the Postmaster General obtained legal advice on behalf of his department to ascertain whether coin operating stamp vending machines are legal on Sunday?

Hon. W. M. Hamilton (Postmaster General): Mr. Speaker, we have been neither to the cleaners nor to the supreme court with these machines as yet. We will look into the matter, although the point has not yet arisen in the department headquarters.

WAYS AND MEANS

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

The Chairman: When the committee rose yesterday we had disposed of part 2 of the Customs Tariff resolutions. We are now on part 3.

CUSTOMS TARIFF

3. Resolved,—That Schedule A to the Customs Tariff be amended by striking out tariff items 9, 9a, 9b, 9c, 9e, 152(e), 187c, 197a, 198a, 199m, 202a, 409c(3), 425, 425a, 425b, 427e, 431, 438h, 445o(i), 445o(ii), 445o(iii) and 658, and the enumerations of goods and the rates of duty set opposite each of these items, and by inserting therein the following items, enumerations of goods and rates of duty:

Customs tariff—9a. Live poultry, n.o.p. British preferential tariff, 2 cents; most favoured nation tariff, 2 cents; general tariff, 5 cents.

Mr. Benidickson: Mr. Chairman, yesterday we disposed of the resolution dealing with the Excise Act, and we disposed of two of the four resolutions which contain amendments to the schedules in the Customs Tariff. The resolutions will be followed by bills which will give details of the manner in which these tax changes will be administered. The bill, of course, with respect to the Customs Tariff will contain as a schedule a repetition of the items which appear in the resolutions.

Having regard to the fact that some of the proposed changes in the budget resolutions are imposing new tax burdens and are not all, by any means, relieving taxpayers of taxes, we feel it would perhaps be more orderly to facilitate the presentation of these

bills as rapidly as possible, because even a week end is all too short to enable those in the country who are specialists in the fields of trade and industry affected, and the professional people who practise in the tax field, to be fully familiar with all that is proposed in the actual statutes. I also think it is desirable that the press should have the earliest opportunity of informing the public of the minister's intentions, not only as announced here in brief, but as they will be in the effective tax statutes.

So, reserving fully our rights to continue to examine these matters in adequate detail, I am going to say very little more on this subject today in the hope that we may soon have a look at the actual texts of the statutes.

Item agreed to.

Customs tariff—9b. Quails, partridges, and squabs, live or dead, n.o.p.: British preferential tariff, 10 per cent; most favoured nation tariff, 12½ per cent; general tariff, 30 per cent.

Mr. Caron: I should like to ask the minister why there should be a difference between the English and the French versions here. The English version refers to "quails, partridges and squabs". The French version has "cailles, perdrix, pigeons sans plumes, vivants ou morts". Is there any variety of pigeons without feathers, or has the government established a nudist camp among the pigeons? I believe there should be no difference between the two versions.

Mr. Fleming (Eglinton): I will examine this question in relation to the terms of the bill. I was not aware of any divergence between the English and the French versions of the resolution. The intention is that the resolution shall apply to quails, partridges and squabs whether live or dead.

Mr. Caron: I think the phrase "sans plumes" should disappear completely. Make it the same as in the English version. I do not think they take off their feathers before they die.

Mr. Fleming (Eglinton): This is not changed as compared with the existing statute. The alteration here in the text, apart from rates, is the addition in English of the words "live or dead". In the French version the only change in the text of the item is "vivants ou morts". In other words the earlier words of the clause are in the present statute. The description in the present English version is "squabs". In the French version it is "pigeonneaux sans plumes". So we have simply carried forward the provision of the existing act in this respect.

Mr. Caron: I think the versions should be the same and that the words "sans plumes" should disappear, then the text would be the same as in the English version—"live or dead".

Mr. Chevrier: "Plumons le ministre."

Item agreed to.

Resolutions agreed to.

The Chairman: Shall I report the resolutions on the Customs Tariff?

Some hon. Members: Agreed.

Mr. Fleming (Eglinton): I think it might facilitate the business of the house if we were to rise at this point and report these resolutions so that the bill founded on them might be introduced, and ask leave to sit again in committee of ways and means.

Mr. Pickersgill: I suggest that we go on and see if we can dispose of all of these resolutions before we do that. I think we might save a lot of time which would otherwise be spent in going back and forth between the committee and the house and that we would make greater progress, which is what the Minister of Veterans Affairs asked us to do last night.

EXCISE TAX ACT

That it is expedient to introduce a measure to amend the Excise Tax Act and to provide among other things:

1. That the excise tax of seven and one half per cent on automobiles adapted or adaptable for passenger use be repealed.
2. That the excise tax of fifteen per cent on radio broadcasting receiving sets be changed to two dollars or fifteen per cent per set, whichever is the greater.
3. That the excise tax of fifteen per cent on tubes for phonographs, record-playing devices, radio broadcasting receiving sets, television receiving sets or any combination of the foregoing be changed to ten cents or fifteen per cent per tube, whichever is the greater, and restricted to tubes the sale price of which does not exceed five dollars per tube, but without affecting picture tubes for television receiving sets the excise tax on which shall continue to be fifteen per cent.
4. That the excise tax of ten per cent on devices commonly or commercially known as lighters be changed to ten cents or ten per cent per lighter, whichever is the greater.
5. That laminated timber for bridges and materials used in the manufacture thereof be exempt from sales tax when sold to or imported by municipalities for their own use and not for resale.
6. That additives for fuel oil for heating and materials used in the manufacture thereof be exempt from sales tax.
7. That blowers used in warm air systems for heating buildings and materials used in the manufacture thereof be exempt from sales tax.
8. That thermostats for use with permanent heating systems for the heating of buildings and materials used in the maufacture thereof be exempt from sales tax.
9. That propane bulk tanks for use with furnaces for the heating of buildings and directly connected to such furnaces and materials used in the manufacture thereof be exempt from sales tax.

10. That the exemption from sales tax for "Ducts for warm air systems for heating buildings, but not including materials used in their manufacture" be changed to read "Ducts for warm air and ventilation systems for buildings, but not including materials used in their manufacture".

11. That precast concrete piles and materials used in the manufacture thereof be exempt from sales tax.

12. That the exemption for "doors" and the exemption for "Door and window screens", now appearing under the heading "Building Materials" in schedule III, be combined and changed to read "Doors for buildings and door and window screens" and the exemption for "Prepared roofings", now appearing under the heading of "Building Materials" in schedule III, be changed to read "Prepared roofings for buildings".

13. That prepared dry concrete mixes and materials used in the manufacture thereof be exempt from sales tax.

14. That the exemption from sales tax for feeds "for fur bearing animals whose pelts have commercial value" be amended by deleting the words "whose pelts have commercial value".

15. That the exemption from sales tax for "Preparations, chemicals or poisons for pest control purposes in agriculture or horticulture, and materials for use exclusively in the manufacture thereof", be changed to read "Preparations, chemicals or poisons (other than pharmaceuticals) for pest control purposes in agriculture or horticulture, and materials for use exclusively in the manufacture thereof".

16. That self propelled, self unloading forage wagons for off-highway use for farm purposes and materials used in the manufacture thereof be exempt from sales tax.

17. That the exemption from sales tax for milk and cream bottles and milk and cream cans be extended to include milk and cream plastic bags.

18. That seismic shot-hole casing and materials used in the manufacture thereof be exempt from sales tax.

19. That the provisions of part II of the said act imposing an export duty on exports of electrical power be amended so that every person who exports electrical power from Canada by a line or wire or other conductor shall pay the duty on all electrical power so exported by him during any period specified pursuant to section 9 of the said act, less any such electrical power reimported by him, or imported by him as a result of an international equichange transfer of electrical power on the same or connected circuits, during that period.

20. That the tax of ten per cent on net premiums in respect of insurance on property in Canada paid or payable by Canadian residents to an insurer not authorized under the laws of Canada or any province to transact the business of insurance, be extended to apply to net premiums in respect of all classes of insurance except life insurance, personal accident insurance, sickness insurance, insurance against marine risks and insurance against nuclear risks to the extent that such insurance against nuclear risks is not, in the opinion of the superintendent of insurance, available within Canada.

21. That any enactment founded on paragraphs 1 to 18 of this resolution be deemed to have come into force on June 21, 1961, that any enactment founded on paragraph 19 of this resolution be applicable in respect of electrical power exported after August 31, 1961, and that any enactment founded on paragraph 20 of this resolution be applicable in respect of contracts of insurance effected or renewed after July 15, 1961.

Resolutions agreed to.

[Mr. Pickersgill.]

The Chairman: Shall I report the resolutions?

Some hon. Members: Agreed.

INCOME TAX ACT

That it is expedient to introduce a measure to amend the Income Tax Act and to provide among other things:

1. That for the 1961 and subsequent taxation years the maximum annual rate at which a taxpayer carrying on business in Canada may deduct expenditures of a capital nature made by him in Canada in respect of scientific research shall be increased from 33⅓ per cent to 100 per cent.

2. That for the 1961 and subsequent taxation years the requirement that the amount deductible on account of expenditures in respect of scientific research shall not exceed 5 per cent of the taxable income of the taxpayer in the preceding year unless the research program has been approved be removed with respect to expenditures which are not of a capital nature.

3. That for the 1961 and subsequent taxation years a non-profit corporation constituted exclusively for promoting or carrying on scientific research in Canada that expends all amounts received by it on such research shall be exempt from tax and amounts contributed to it shall be deductible as current expenditures in respect of scientific research.

4. That for the 1961 and subsequent taxation years a corporation constituted exclusively for charitable purposes be permitted to include donations to Her Majesty in right of Canada, or a province or a Canadian municipality, in the amount such a corporation must expend each year in order to qualify for exemption from income tax.

5. That for the 1961 and subsequent taxation years the present maximum limits on the amount deductible in computing taxable income on account of medical expenses be repealed.

6. That amounts paid on and after January 1, 1961 for or in respect of a laryngeal speaking aid be included in the medical expenses that are deductible in computing taxable income.

7. That for the 1961 and subsequent taxation years an amount paid by an individual in the year on account of legal expenses incurred to collect salary or wages owing to him by an employer be deductible in computing income.

8. That for the 1958 and subsequent taxation years an amount not exceeding $300 received by an individual in the year from a municipality as an allowance for expenses incurred while carrying out the duties of a volunteer fireman be not included in computing income.

9. That provision be made in respect of a new class of profit sharing plans under which

(a) amounts allocated by the trustee shall not be included in the income of an individual who is a beneficiary under the plan until the year in which they are received,

(b) no tax shall be payable by the trustee under the plan on the taxable income of the trust, and

(c) an employer may deduct in computing income for the year an amount which when added to his contribution, if any, under a registered pension fund or plan does not exceed $1500 per employee.

10. That after June 20, 1961 any payment by a resident of Canada which is

(a) a lump sum payment out of or pursuant to a superannuation or pension fund or plan,

(b) a payment upon retirement of an employee in recognition of long service,

(c) a payment to an employee or former employee in respect of loss of office or employment,

(d) a payment under a profit sharing plan (to the extent that the amount thereof would be included in computing the payee's income for the year if the payee were a resident of Canada),

made to an individual who is a non-resident of Canada and who during the five years preceding the year of payment was a resident of, or employed in Canada, for a period or periods the aggregate of which was 36 months or more, shall be deemed to be income for the year from duties performed by him in Canada but nothing in this paragraph shall apply to a payment which can be established to be one of a series of payments to be continued at regular intervals during the life of the recipient.

11. That for the 1961 and subsequent taxation years where an individual residing outside of Canada is deemed to be resident in Canada because he is an officer or servant of Canada or a province his wife residing with him (if she was previously resident in Canada) or his dependent child shall also be deemed to be resident in Canada.

12. That for the 1962 and subsequent taxation years a corporation incorporated in Canada that is carrying on business in Canada shall be deemed to be resident in Canada.

13. That for the 1961 and subsequent taxation years the deduction from income allowed to a corporation whose principal business is mining or producting pertoleum or natural gas or processing mineral ores or metals recovered from mineral ores, in respect of expenses incurred in searching for minerals in Canada or exploring or drilling for petroleum or natural gas in Canada be extended to a corporation whose principal business is fabricating metals.

14. That with respect to the taxation years of a personal corporation commencing on or after September 1, 1961 the manner of taxing shareholders of a personal corporation and the definition of a personal corporation be revised and in particular

(a) that carrying on an active business shall not disqualify a corporation from being a personal corporation unless the income from carrying on a business exceeds 50 per cent of the income of the corporation.

(b) that a personal corporation may include a corporation controlled by any group of individuals resident in Canada all the members of which are related persons,

(c) that a corporation controlled by one or more trusts or estates shall be a personal corporation if it otherwise qualifies,

(d) that the income of a personal corporation for a year shall be deemed to have been distributed to its shareholders in proportion to their shareholdings instead of in proportion to amounts transferred to the corporation,

(e) that where a taxpayer has transferred property to a personal corporation and he does not receive by way of dividends on shares in the corporation, or by way of interest on amounts owing to him by the corporation, an amount at least equal to 5 per cent per annum of the value of the property or unpaid balance, any amount deemed to have been received as a dividend by his spouse or child shall be deemed to have been received as income from property transferred from the taxpayer to the extent of the difference between the said 5 per cent and the amount he actually received,

(f) that losses incurred in the previous five years that were not previously deductible shall be deductible in computing the amount of income of a personal corporation that is deemed to have been distributed to its shareholders in a year, and

(g) that where an amount is included in the income of a personal corporation as a recapture of capital cost allowance by virtue of section 20 of the act a shareholder may elect to pay a special reduced tax on his portion of the recaptured capital cost allowance in the same manner as if he had received the recaptured amount directly.

15. That rates of income tax be reduced and related changes made in order to implement certain fiscal arrangements with the provinces commencing April 1, 1962 and that the act be amended as may be necessary to implement an offer of the government of Canada to enter into agreements for the collection of income taxes imposed by the provinces and in particular

(a) that the income tax otherwise payable by an individual in respect of income earned in a province of Canada be reduced by

(i) 16 per cent for the 1962 taxation year,
(ii) 17 per cent for the 1963 taxation year,
(iii) 18 per cent for the 1964 taxation year,
(iv) 19 per cent for the 1965 taxation year,
(v) 20 per cent for the 1966 taxation year,

(b) that the rate of tax on the taxable income earned in a province of Canada by a corporation other than a non-resident-owned investment corporation or a corporation specified in schedule D to the Financial Administration Act that is an agent of Her Majesty be reduced by 9 percentage points in respect of taxable income earned after December 31, 1961 and before January 1, 1967.

Resolutions agreed to.

The Chairman: Shall I report the resolutions?

Some hon. Members: Agreed.

Resolutions reported and concurred in.

CUSTOMS TARIFF

Hon. Donald M. Fleming (Minister of Finance) moved for leave to introduce Bill No. C-116, to amend the Customs Tariff.

Motion agreed to and bill read the first time.

TRUST COMPANIES ACT

AMENDMENTS RESPECTING INVESTMENT POWERS

Hon. Donald M. Fleming (Minister of Finance) moved that the house go into committee to consider Bill No. S-28, to amend the Trust Companies Act.

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

Clauses 1 to 4 inclusive agreed to.

Title agreed to.

Bill reported, read the third time and passed.

LOAN COMPANIES ACT

AMENDMENTS RESPECTING INVESTMENT POWERS

Hon. Donald M. Fleming (Minister of Finance) moved that the house go into committee to consider Bill No. S-29, to amend the Loan Companies Act.

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

Clauses 1 to 6 inclusive agreed to.

Title agreed to.

Bill reported.

Mr. Speaker: When shall the said bill be read the third time?

Mr. Peters: Next sitting of the house.

Mr. Fleming (Eglinton): Mr. Speaker, unanimous consent is not required here. We are entitled to take two stages of the bill in one day. The bill had second reading previously and we are entitled to take the committee of the whole stage and third reading today without unanimous consent.

Mr. Speaker: Yes, without unanimous consent; but if there is an objection should the question not be put?

Mr. Pearson: There is no objection.

Mr. Pickersgill: There is no objection. It went through the committee stage.

Mr. Fleming (Eglinton) moved third reading of the bill.

Motion agreed to and bill read the third time and passed.

INDUSTRIAL DEVELOPMENT BANK ACT

AMENDMENTS RESPECTING CLASSES OF LOANS INCREASING AUTHORIZED CAPITAL, ETC.

Hon. Donald M. Fleming (Minister of Finance) moved that the house go into committee to consider the following resolution:

That it is expedient to introduce a measure to amend the Industrial Development Bank Act to enlarge the classes of loans that may be made under the act so as to include therein all business enterprises without limitation as to the kind of business carried on; to increase the authorized capital of the bank from twenty five million dollars to fifty million dollars; to increase the authorized borrowing authority of the bank to an amount not exceeding five times the aggregate amount of its paid-up capital and reserve fund; to enable the bank to make funds available in respect of transportation equipment by the purchase of equipment trust certificates; to enable the bank to acquire title to moveable property and to make such property available to a borrower under a conditional sales agreement or other arrangement under which the borrower has a right of redemption; to raise the limit on the aggregate amount of loans and other liabilities that exceed two hundred thousand dollars, from a maximum of seventy five million dollars to a maximum of two hundred million dollars; and to make certain other changes in connection with the administration of the act.

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

Mr. Fleming (Eglinton): Hon. members will recall that in my budget speech I said that the government intended to introduce a number of amendments to the Industrial Development Bank Act. With the full support of the government the industrial development bank has considerably expanded its operations over the past few years. The measures which are now proposed will further augment significantly and in a variety of ways the ability of the bank to finance the physical expansion of small and medium sized businesses. Moreover, as previously indicated to the house, the bank will be encouraged to assist in increasing measure with the problems which arise in connection with financial consolidation and with changes in ownership.

The proposed amendments will affect almost all phases of the bank's future operations. To begin with, hon. members will be asked to approve a change which will extend the coverage of I.D.B. operations to business enterprises of all types. At present eligibility is restricted to certain classes of business, mainly in the field of manufacturing, processing, mining, logging, construction, transportation, and including part of the service sector of the economy.

The facilities of the bank have grown to the point where it is now feasible to widen the scope of its operations so that enterprises over the whole range of economic activity may be assisted. Of course, the bank will continue to operate with good business judgment and reasonable prudence, and where funds are available from other sources on reasonable terms and conditions, recourse to the bank would be unnecessary. Similarly, it is not expected that the bank will be called upon to use its resources in support of enterprises which can obtain financing under the various governmental measures providing special assistance.

This expansion in coverage, together with the establishment of more branch offices across the country, will undoubtedly lead to an extension of the bank's activities. Moreover, with an intensified effort to bring to the attention of potential borrowers the services which the bank can render, we can confidently expect that the bank will grow in importance as an institution which will further economic growth in general and modernization of Canadian industry in particular.

The experience during the more recent past augurs well for the future, and if the current rate of lending continues, loans made this year will exceed 1,000 in number and $50 million in amount. This expansionary trend, we expect, will become more pronounced in succeeding years. With this in mind it is proposed that parliament provide the bank with additional financing capacity, sufficient to permit it to operate on a substantially larger scale.

First, it is proposed to raise the authorized capital of the bank from the present level of $25 million to $50 million.

Second, parliament will be asked to increase the borrowing authority of the bank. The borrowing authority is now limited to three times the aggregate amount of paid up capital and the reserve fund. Briefly, with paid up capital at a level equal to $25 million and a reserve fund standing at approximately $15 million, this means that the borrowing authority now amounts to about $120 million. It is proposed to increase the limit on borrowing to five times the paid up capital and the reserve fund. As a result and on the basis of a doubling in capital from $25 million to $50 million, the borrowing authority of the bank will reach $325 million. The total resources of the bank, including capital and reserves, will amount to close to $400 million compared with $160 million today. Of course as the reserve fund builds up from the present level of about $15 million we can expect a further increase in the bank's resources.

Hon. members will be aware that at present the act establishes a ceiling of $75 million on the aggregate of individual loans and other commitments which are in excess of $200,000. In line with related changes providing for an enlargement of the resources of the bank, it is proposed to increase this limit to $200 million. As a result the bank will have a potential of approximately $200 million, compared with a current level of $85 million, to cover individual commitments of less than $200,000.

So far I have described changes which will bring more potential borrowers to the doors of the bank and will assure the bank of adequate financial backing for its expanded operations. I am now turning to additional measures which are designed to enhance the performance of the bank in a qualitative rather than a quantitative way. The preamble of the act establishing the industrial development bank states the objectives to be pursued by this institution. These objectives relate to the promotion of the economic welfare of Canada, and to this end the bank may lend or may guaranteee loans to business enterprises, may enter into underwriting agreements and may engage in equity financing. It is surely appropriate that at this time, when every effort is being made to increase the usefulness of the bank, attention should also be paid to the adequacy of the existing powers of the bank in rendering financial assistance.

Based on actual experience, it is found that such powers as the bank now has should be broadened in two specific ways. First, it is proposed to facilitate bank action in cases where financial assistance is required for the purchase of movables. Accordingly, it is intended that the bank be authorized to acquire title to movable property, such as machinery and equipment, and to make it available to a borrower by means of a conditional sales agreement. This should prove helpful to borrowers under circumstances where it would be either impossible or cumbersome to take chattel mortgage security on movables and where purchase by the bank, subject to redemption by the borrower, proves to be a most efficient and most convenient way of rendering financial assistance.

A second amendment will permit the bank to make funds available in respect of transportation equipment, for instance trucks and buses, through the purchase of equipment trust certificates. Hon. members will be aware that it is fairly common practice to finance the acquisition of transportation equipment through the issue by a trust company of such certificates or obligations. The proposed extension of the powers of the bank will improve the flexibility of its operations and make it easier for the bank to participate in arrangements for the financing of transportation equipment.

In keeping with the expansion in the scope and functions of the industrial development bank, the amendments will also make provision for the enlargement of the board of directors and of the executive committee to include not only the deputy minister of finance as at present but also the deputy minister of trade and commerce. Provision has also been made for a second director from the business community to be added to the executive committee.

It will be evident that the proposed amendments to the Industrial Development Bank Act, which I have outlined in summary form, will enable that institution to provide more and better services to small and medium sized businesses. I have also referred to the contributions which the industrial development bank can make in cases where enterprises, particularly small firms and family concerns, are faced with problems which, for their solution, require the infusion of new management and new capital. Some of these difficulties arise as a result of the general competitive trend in our economy; others relate to the impact of estate taxes. In such situations the industrial development bank can play an increasingly active and constructive role by making funds available as well as technical assistance on a variety of managerial problems. As indicated in the

budget speech, it is the hope of the government that in this way the industrial development bank can also contribute to the retention in Canada of the ownership and control of Canadian businesses.

The bank has been furnishing a valuable service in providing for the financial needs of small and medium sized businesses which, because of their size, find it difficult to raise capital on the security market. The amendments which are before the house now will enable the bank to play an increasingly useful role in the future by assisting private enterprise to provide more employment and develop a stronger, more productive and more flexible economy.

Mr. Pearson: Mr. Chairman, there is no reason why we on this side should delay the passage of this resolution, which embodies certain amendments to be made to the Industrial Development Bank Act. We shall have an opportunity to deal with this matter when the bill is before the house. In any event, we on this side have been advocating for some time now an expansion of the functions and activities of this very useful piece of machinery through proposals which we have made, some of which are referred to in the resolution and in the statement the minister has just made, though not all.

We think the bank has performed, as I have just said, very useful services. We think it should be given, as is proposed, greater financial resources, and that its functions and activities should be broadened. We feel especially that it should be given greater responsibilities and greater opportunities to assist in regional economic development, where government assistance to small business is particularly necessary and desirable for, among other things, employment reasons. We think the industrial development bank could, if it were given the opportunity, play a very useful part in this field. We have gone further, I gather, than the government proposes to go in these amendments, and have suggested that the bank should be separated in its administration from the Bank of Canada and be given a separate corporate existence.

I think that is all I need to say about the resolution at this stage. We will be able to examine the bill when it is introduced, and perhaps further discussion will be required then.

Mr. Pitman: Mr. Chairman, we in this group want to expedite the passage of this resolution. We too are very happy to see the expansion of the industrial development bank. We note that even last year there was a 24 per cent increase in the number and a 26 per cent increase in the amount of the loans made by this bank. We feel that this bank now serves a growing need in our nation.

Since 1944 some $300 million has been lent in some 4,700 loans. I think the statement of the minister that there will be greater publicity for the bank and that the number of offices is going to be increased over the additions in 1959 of St. John's, Quebec city and London and in 1960 of Ottawa, Sudbury and Edmonton, will be of tremendous help to the Canadian economy. We are particularly happy to see that the small businessman will have greater opportunity and that the scope of the bank is going to be extended especially to the service industries, which I think are going to become more and more important in Canada.

As I said, we are not in the least going to hold up the passage of this resolution. However, I should like to read the preamble to the Industrial Development Bank Act, because I think it has an important relation to what we are doing today:

> Whereas it is desirable to establish an industrial development bank to promote the economic welfare of Canada by increasing the effectiveness of monetary action through ensuring the availability of credit to industrial enterprises—

Here, I think, is the important part.

> —which may reasonably be expected to prove successful if—

This is a very important "if".

> —a high level of national income and employment is maintained . . .

I think this is something which should be very much in the mind of the minister as he seeks to improve this bank; that this act was passed in the expectation that there would be a high level of national income and especially a high level of employment. It is rather strange that we are now turning the whole thing backwards. Now we are depending on the industrial development bank to create the employment so that the bank itself can be successful. I think this is something which might be in the mind of the minister as he brings forward this resolution.

Mr. Aiken: Mr. Chairman, I do not wish to delay the passage of the resolution, but there are some things I should like to say because I feel very strongly on this subject. Ever since I was elected to the house many small industries that have been trying to establish themselves have come to me for some assistance. I believe that in the past the industrial development bank has not been carrying out the duty for which it was originally intended; at least if I have understood correctly the comments that have been made to me over the years regarding this duty, this is what I have learned. I believe that the bank has been operating on too restrictive a basis.

Obviously the bank was limited to some extent by the statute which confined it to the type of business set out in the act, and I am very pleased to see that the resolution and the bill to follow will enlarge the types of business which will qualify for assistance under the Industrial Development Bank Act.

Those types of business were too restricted, and in my opinion the restrictions were applied too strictly. I know of several businesses that tried to get loans and, although they seemed to have good prospects, for one technical reason or another the applications were delayed and in many cases refused. It has been felt that while the industrial development bank was set up to assist small businesses and small industries to get started, it has been too much of a bankers' bank and has not been performing the function for which it was originally intended. I have two or three examples I should like to give where I feel that the industrial development bank could very well have stepped right in and done the job for which it was intended.

A couple of years ago an industry in South River in my constituency had good market prospects for its product. They applied for assistance to the industrial development bank and were turned down for various reasons. Perhaps I was not aware of all of them, but certainly some assistance to this business would certainly have kept it going.

There is another case in which I have been very interested. In the village of McKellar near Parry Sound a man by the name of Stroud, who is an inventor of printing press machines, has achieved a major break-through in the printing trade. He has constructed a prototype of a printing press that has been examined by people from Sweden, Germany and the United States. He has been most anxious to build his press in Canada if he can. Excellent opportunities have been made available to him by people who would buy the patent and manufacture the machine outside of Canada. For some time he has been trying to get financial assistance from the industrial development bank. I believe that eventually he would get some assistance, because he has been making good progress. However, in my opinion the present amendment will help him to produce in Canada for export a very good, marketable product. It has been examined by responsible authorities, who say that not only can it be sold in Canada but it also can be exported to all parts of the world.

For that reason I welcome this assistance. This gentleman has been trying for two years to get his product on the road. I have been doing the best I could to assist him within the restrictions placed on such assistance by the industrial development bank, and even though the Department of Trade and Commerce has been doing its best to help him he is still waiting for financial assistance that will bring this product on the market.

While I was interested in this machine I came across something else about two months ago. I cut out this article from the Ottawa *Journal* of May 2, 1961 because of the close relationship to the printing press in which I was interested. The article has to do with a revolutionary milling machine which has been invented in a machine foundry in Ottawa. The article reads in part as follows:

> A revolutionary new milling machine, styled by its developers as "a break-through in its field", has been unveiled at an Ottawa machine foundry.

The article goes on to describe this revolutionary machine and the uses to which it can be put in Canada and in other parts of the world. The last paragraph is significant from my point of view, and that is why I cut out the article. It reads as follows:

> What is needed, he said—

The reference is to Mr. Auger who has been promoting the machine.

> —is financial backing. "We approached the Department of Trade and Commerce", he said, "but they are not yet set up to make loans to comparatively small borrowers. We hope to be able to get a loan from the industrial development bank once we have our plant set up here." The firm has six other machines on Mr. Palyi's drawing board—a basis for what Mr. Auger thinks could be a major new industry for Ottawa.

Here are two machines designed by Canadian inventors and both described as breakthroughs in the commercial field, which indicate that our people in Canada have the ability to invent, design and make prototypes of new types of machines that can be used not only here but in other countries. I note that this milling machine is being taken to the United States for display there in the expectation that the company will be able to make sales of the machine.

Now, these are just two examples that have come within my own purview. There are 264 other members here in the house, and I have no doubt that every one of them has similar examples of projects that could be mentioned in respect of which financing is too limited and where a little bit of a push is needed in order to get started. The idea is there, the ability is there, but the finances are not.

There was one other matter I wanted to mention, Mr. Chairman. I should like to refer to the power of the industrial development bank to assist in financing projects by the purchase of stock in a company. Some of the people who have approached me have said, why could not the government back us

up by taking over our plant and developing our markets, and when the thing is running turn it back to us? Would that not be a reasonable procedure? The government is interested in the development of Canadian products. Would it not be reasonable for the government to take over the project, provide people from the technical branches of government to assist in financing and in export arrangements, in production of the machine and in research; then, when the project is fully developed, turn it back to us. Well, of course, the difficulty in this procedure is that the government would take all the risk and the private individual would be in a position to take the profit. While this is a very commendable approach for the people involved, it would not be fair to those people who, on their own, have already made or will in the future make some such development.

There is power in the Industrial Development Bank Act to come into the field, purchase stock in a company for long enough to get it going, and give it the necessary financial backing. Then the stock can be sold to the public. I think this is the type of thing that would be very, very useful. When I spoke previously about the Stroud printing press, there was some publicity about it and several people from other countries approached me as to the method that might be used in financing. I found that several countries in Europe followed the procedure of the government giving assistance through stock purchases. The government purchased the major part of the stock and carried out the development, and when the company was on its feet and ready to go into the market and export, they sold the stock back to the public. The company was sold to the public for whatever it was worth. If a good job had been done in designing and producing a plant, the stock was worth something. The people who purchase it are interested in the development. If the job has not been done so well, then the stock is down and the government fund will have to take a loss. The reason the government fund has to take a loss is that it was an investment. However, I believe it is better that they should take a loss in this way and pass it on to the people who purchase the stock, than merely to take a loss on a bad investment by way of a loan.

I suggest that the industrial development bank take full advantage of the provisions in the act at the present time which would enable it to do this type of financing. Direct loans are certainly a good thing, but they do have to be paid back. Interest has to be paid, and so forth. The stock financing arrangement does not require payments of any kind from the company. The government which has purchased the stock merely sells it again to the public, and there is no obligation on the company to repay a large outstanding loan. I certainly suggest that this type of assistance would be very beneficial both to the development of new industries in Canada and to the export of those products which are made in this country and which can be exported.

I note, Mr. Chairman, that the resolution does not propose alterations in this type of financing and I see no reason why there should be a change. I believe that the type of financing to which I have referred has not been taken advantage of sufficiently, though the powers are already there. The resolution does refer to a provision to enable the bank to take title to movable property and make the property available to the operator under a conditional sales agreement. I believe this is an additional power.

I believe these are all the remarks I wish to make on this particular resolution, Mr. Chairman, except that I am glad to see not only an increase in the funds available but also a widening of the class which will qualify under this act, as well as the intention to make reasonable use of the authority which the industrial development bank already has. In my opinion a good deal of the difficulty has not been that the bank has not had the power but that the bank has not been using it. I suggest that the enlargement of the bank's powers under this resolution, along with the full use of the powers the bank already has, would enable a great deal to be done to encourage industry in this country, to provide a improved level of employment and to increase our exports of those items we produce in Canada, thus reversing the trend of imports from other countries of goods we cannot produce in this country.

Mr. Best: Mr. Chairman, I should like to make some brief remarks on this item. I was glad to see today on the other side of the house indications of general concurrence with regard to the changed plan for the industrial development bank. I should like to comment on some of the remarks made by the hon. member for Parry Sound-Muskoka. He mentioned the rather restrictive nature of the bank's regulations in the past. I think this has indeed been so. We have many medium and small sized enterprises scattered throughout my riding of Halton, a number of which have been interested at various times in obtaining funds from the industrial development bank. Nevertheless, while some companies have been successful, may have been turned down.

The criticism has been made that this was indeed a sort of bankers' bank. We have heard

the same criticism of this bank as we have of ordinary banks, namely that if you wanted a loan you practically had to have the capital you needed before the loan would be made. As one hon. member has said, you really have to prove you do not need the loan before you can obtain it. This is a very fundamental problem which has been applicable to the industrial development bank in the past, and I hope some change will be made in the future. We realize that a complete change in the other direction would not be possible, but we would hope for more flexibility.

The hon. member for Parry Sound-Muskoka has cited various firms and industries in his riding which have benefited or would benefit fro mthe operations of this bank. I have in my riding various firms engaged in new aspects of plastics, new aircraft firms and other imaginative new industries which would welcome, and I am sure are welcoming, the changed provisions which are to be brought about. These new industries, these applications of new methods to old industries, are a most important part of our Canadian development in the modernization of business in our country in its competitive struggle both within Canada and with various foreign countries.

I would like to stress that the industrial development bank could in the future pay more attention to new ideas, I mean ideas in the sense of people or companies that perhaps may not have the risk capital or the background in property to develop their inventions, their new methods and their ideas. From a banking standpoint this may be difficult indeed to evaluate, but surely there is scope somewhere in our government field for an agency or body, perhaps indeed within the industrial development bank, to be just a little more risky in its approach to conventional banking methods with respect to new ideas or processes.

As the previous speaker stated, it so often happens in this country that such new methods, such new approaches to industry, may leave Canada both in ownership and in application because of the lack of risk capital. Generally they go to the United States. I have seen many instances of this. I hope that in future the changed provisions of the bank will provide for the retention in Canada of more of these new ideas. I am sure they are necessary to enable us to modernize and become more competitive in the world around us.

Mr. Chairman, the Leader of the Opposition mentioned increased facilities of the industrial development bank in various regions of Canada. I did not hear him develop that idea further. Perhaps we could hear that at some future date. It is difficult to visualize just how that might be done under the present circumstances. We understand that the industrial development bank is going to increase the scope of the industries and companies which it may service. Indeed, service industries and service companies are to come within the field of its coverage.

Another area which has been mentioned by hon. members, and which is a most important one, concerns small family companies, Canadian businesses in origin, management and ownership, which for various reasons are in danger of passing into foreign control. I have seen this happen in various towns in my area and indeed, speaking from slight knowledge, in many small and medium sized towns throughout southern Ontario. I refer to family businesses perhaps established 25, 50 or 100 years ago, with two, three or four generations of Canadian ownership, really pioneer families in those areas, and perhaps businesses upon which many of the people of the town or region in which they are located depend for employment. Many of these businesses are being bought and control is being obtained by United States companies and individuals.

We welcome the statement of the minister that the bank will play an increasing part in assisting the present Canadian ownership through the problems of estate taxes, through the transition perhaps from one generation to another, and indeed the aspect which the minister has emphasized, of technical advice to be given to such companies. This technical and advisory help has presumably been given in the past to some extent, but I gather from the minister's comments that the technical and advisory aspect of the industrial development bank will be increased in the future. I presume this may assist such companies, particularly in the transition stage of ownership which occurs in many small firms.

We welcome the figures for the past year or so in connection with the bank; the fact that their loans increased by a very definite percentage last year; that the indications for the present year are that perhaps a total of 1,000 loans will be made. We are looking forward even more to the future because of the announced changes; the increase in authorized capital from $25 million to $50 million, and the increase in borrowing authority as described by the minister earlier today, to a total of $225 million. The total of these provisions will very greatly increase the ability of the bank to assist Canadian industry.

Another subject which was touched upon in this connection concerns modernization of existing industries. It seems that on many occasions firms which have been successful in the past, and perhaps are today, need to expend a very considerable amount of capital

in modernizing their plant or production facilities. This sort of thing is within the purview of the bank, and it is to be hoped that the industrial development bank will take an aggressive stand in assisting industries in these very necessary changes. We can look at many fields of endeavour in commerce in Canada and realize that in order to compete with materials coming in from Great Britain, Europe and Asia such firms will have to bring about a very considerable modernization of their plants and facilities. I am sure the bank will assist in this work to an increasing extent in the future.

The minister's comments about movable property and the purchase of transportation equipment such as trucks and buses were indeed interesting. I think this again illustrates, Mr. Chairman, the increased scope, the much more variable approach, which the bank is going to have when approached by businesses for assistance of different kinds.

The enlargement of the board of directors and of the number of executives of the bank is also worthy of note at the present time. As part of the picture we note from the minister's budget speech that the number of branch offices has increased from four to 13 over the past five years, and that further branches will be opened in the future.

In conclusion, Mr. Chairman, this illustrates the greatly increased scope and activity of the bank since this government assumed office, and we are looking forward to a much larger scope and a great increase in its lending facilities and amounts in the years immediately ahead.

Mr. MacLellan: Mr. Chairman, I rise for a few moments to congratulate the Minister of Finance on this measure, which is one more of the many measures he has put forward to stimulate and develop the Canadian economy. In the past in this house I have had occasion to be critical of the industrial development bank, but I notice that in recent years they have been extending their loans and making more loans, particularly in my own Atlantic region. I very much hope this trend will continue, and that credit facilities through the industrial development bank will be easier. At the moment there is a file on my desk in my office concerning a new industry which proposes to move into the town of Inverness in my riding. I know the location of this industry there will only be possible through assistance and through the special financing which is available from agencies of the nature of the industrial development bank.

I suggest one further step which might be taken toward the development of the Canadian economy. I have in mind the expansion of the industrial development bank for the purpose of or the setting up of a new agency on a national basis for the location of new industries in this country. I am sure there are many industries abroad which would establish branches in Canada if there were some agency organized on a federal basis to invite them to settle here and assist them in their financing. There are, of course, parallel agencies operating successfully in a number of the provinces. In Nova Scotia the Industrial Estates Limited organization and the provincial industrial development fund have been successful in the last few years in establishing new industry, in expanding existing industries, and in keeping within the province industries which might otherwise have moved to other regions.

However, settlement agencies of the nature of Industrial Estates Limited are necessarily limited in scope, inasmuch as they work under provincial authority only and their funds are limited to what the province can provide. I would think that federal agencies similar to those which are now working in the provinces would be most helpful in bringing big industry to Canada, operations which might be beyond the scope and resources of provincial organizations.

I have in mind, for example, that on the North American continent there is no factory which makes small, low cost automobiles, yet there is a wide market in this hemisphere for automobiles of this type which would not be in competition with cars produced for sale at higher prices. It has been suggested to me that Nova Scotia would be an ideal site for a factory manufacturing low cost cars. A factory of this kind would have to look to the whole hemisphere for its market. Indeed, it would have to look across the world in order to sell its products, and it would be of great advantage for it to be situated on tidewater so that cheap transportation would be available.

Moreover, there is on Cape Breton island a good modern steel plant. It is efficiently run and produces a good product, but it is operating under a handicap in that most of its product must be transported to the provinces of Quebec and Ontario for sale. Thus, added to the cost of producing steel is this extra cost of transportation. If there were some way in which a large industry could be settled close to that mill to take advantage of the coal and the steel which is available, it would give a considerable boost to the whole maritime region.

It may, of course, not be feasible to establish a low cost automobile plant in that area, but all the necessary resources would seem to be there, and this is the type of project I should like to see investigated. It would have to be considered with a view to

bringing in men with the special managerial and technical skills required to make use of these resources, and all this would involve large scale national financing.

This is a project of a type which perhaps, lies beyond the resources of Industrial Estates Limited in the province. It involves big industry in a day when big industry and mass production are becoming increasingly important. I should like to see a federal agency established whose responsibility it would be to assist in the founding of new industries which could properly and feasibly operate in Canada, and which would be responsible for attempting to bring into regions such as my own industries which would be suited to the resources and economy of those areas.

An agency of this type should, of course, work closely with provincial agencies to set up better facilities for research into the types of industry which could be located in various parts of Canada. It could also assist in bringing in people with executive and managerial skills whose specialized knowledge would be required in connection with the establishment of such industries.

The nation has grown very well under our private enterprise system. We have a high standard of living, and we sell our products across the world. However, I am sure there are many other products which we could be producing and I am sure, too, hon. members will appreciate that there are some areas of Canada which are not growing as fast as they should, chiefly because under the private enterprise system money or business interests cannot be as easily found to settle industries in those regions. I should like to see a special agency set up whose duty it would be to consider ways of encouraging industrialization in areas such as the maritimes. Such an agency would work in co-operation with the provincial agencies which have already been established.

To me it seems a shame that we should have a steel fabricating centre on the island of Cape Breton, together with a large amount of fuel in the area, but that we should only be able to move this steel as a raw material to other parts of Canada for processing. At the moment there is under consideration the establishment of a cold rolling mill at Contrecoeur on the St. Lawrence river for the processing of Sydney steel. The establishment of this rolling mill would be of assistance to the Sydney mill. However, if an industry such as an automobile industry could be established in the maritime area I am sure Dosco would consider it very feasible to establish their cold rolling mill in that area. Around the steel mill at Sydney there could be built up an industrial complex which, as I have said, would help to bring to the maritime region the industrialization which it so badly needs in order to provide sufficient new employment in the area.

Mr. Fleming (Eglinton): I should like to thank hon. members in all parts of the committee for the support they have expressed for this measure. There are three points with which I think I should deal briefly before the resolution is reported.

The Leader of the Opposition raised a point at the outset of his remarks concerning the separation of the industrial development bank from the Bank of Canada. I wish to make it clear that while this measure does not propose that separation, I would not wish it thought that this suggestion is eliminated for all time. The proposal has been made from various quarters from time to time. It has been considered by the government, and it will continue to be under consideration.

A good deal will depend upon the views of management and the bank authorities. There are some problems which would arise if such a proposal were put into effect. I do not need to detain the committee now by reviewing this subject. I simply wish to make the point that this proposal has been advanced from several quarters, and is not dismissed from consideration simply because it is not included within the scope of the present bill. We shall continue to examine this matter.

Second, a point was raised about using the bank's operations with a view to regional considerations. I think it should be stressed again, particularly in the light of the desirability of extending the development of secondary industry in the Atlantic area, that as far as the government is concerned it is our view that the resources of the bank should be available for this purpose. Indeed, the expansion in the number of branch offices of the industrial development bank throughout Canada has been designed to make the bank and its facilities as serviceable as possible to all regions of the country. The number of branch offices of the bank in 1955 was only four. That number was increased by 1960 to 13, and the bank is now better able than ever before to give regional services in different parts of the country.

I think it will be in the minds of all hon. members that it is desirable that these services should be available with as much local accommodation as possible in those areas of the country which have not heretofore enjoyed the same advantages in the development of secondary industries as have some of the more centrally located parts of the country. I can assure hon. members, and particularly the hon. member who last spoke,

that the facilities of the bank are intended to be available to serve the worthy object of assisting in the development of secondary industries in the Atlantic area of this country.

The third and last point which I should like to mention, Mr. Chairman, concerns the scope of operations of the bank. This point has been mentioned and I do not wish to repeat what I said earlier. However, one hon. member inquired whether there is any intention that the facilities of the bank should be available on terms which simply duplicate the credit facilities available through other institutions, for example the chartered banks. Let me make it very clear that the industrial development bank is not intended to duplicate existing facilities in this respect. That would not be a proper function of such an institution provided with government resources and government sponsorship. Indeed, the statute is very clear on that point. Section 15 of the act, in subsection 1, contains the following provisions:

Subject to section 14—

Section 14 concerns the aggregate of liabilities.

—where in the opinion of the board—

Or of an officer authorized for that purpose by the board.

(a) a person is engaged or about to engage in an industrial enterprise in Canada—

I hope you will note the terms of the next clause, Mr. Chairman.

(b) credit or other financial resources would not otherwise be available on reasonable terms and conditions—

It has been the policy of parliament, from the time this institution was brought into existence by the legislation of the 1944-45 session, that the services and facilities should not duplicate those provided by other institutions under private ownership. The industrial development bank was intended to be a lender in the secondary sense, providing credit particularly in the medium and longer term field not otherwise available to industries. The advantages offered by the act were obviously largely directed to the smaller and medium sized businesses which are not in a position to go into the security market to meet their capital requirements, or borrowing requirements on a scale not justifying resort to the capital market. I think the situation is quite clear in that regard, and has been from the outset of this institution and the legislation governing it, and the bill now before the committee makes no change in that regard.

I thank all hon. members for the support they have expressed for this measure. It is refreshing to bring in a measure which has the general support of all sections of the house.

[Mr. Fleming (Eglinton).]

Resolution reported and concurred in.

Mr. Fleming (Eglinton) thereupon moved for leave to introduce Bill No. C-117, to amend the Industrial Development Bank Act.

Motion agreed to and bill read the first time.

CANADIAN NATIONAL RAILWAYS

CONSTRUCTION OF LINE TO GREAT SLAVE LAKE

Hon. Leon Balcer (Minister of Transport) moved that the house go into committee to consider the following resolution:

That it is expedient to introduce a measure to provide for the construction of a line of railway in the province of Alberta and in the Northwest Territories by Canadian National Railway Company from a point at or near Grimshaw, in the province of Alberta, in a northerly direction to Great Slave lake, in the Northwest Territories; to provide for the payment out of the consolidated revenue fund of a subsidy to Canadian National Railway Company equal to the cost of constructing the said line of railway, but not exceeding in any case $86,250,000, to enable the work of construction to proceed forthwith upon an agreement being completed between Her Majesty, Canadian National Railway Company, Consolidated Mining and Smelting Company of Canada Limited and Pine Point Mines Limited, the said agreement to provide, among other things, for payment to Her Majesty not exceeding $12,500,000 on behalf of Pine Point Mines Limited towards the cost of constructing the said line of railway, such payments to be based on the average annual value per ton of concentrates shipped and to commence after the completion of construction of the said line of railway and to continue for a period of ten years.

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

Mr. Balcer: Mr. Chairman, the first portion of my statement is as follows: may I call it one o'clock?

Mr. Pickersgill: Dispense.

At one o'clock the committee took recess.

AFTER RECESS

The committee resumed at 2.30 p.m.

Mr. Balcer: The purpose of this resolution, Mr. Chairman, is to approve the introduction of a bill to authorize the Canadian National Railway Company to construct and operate a railway line from Grimshaw, Alberta, to Great Slave lake and Pine Point in the Northwest Territories. The northern terminus of the line would be the port of Hay River, a distance of approximately 398 miles from Grimshaw. A spur line from the vicinity of Alexander falls would serve the needs of

Pine Point mine where one of the world's largest base metals deposits is located. The total mileage of the new construction would be approximately 438 miles. As in the case of previous branch lines, constructed by the Canadian National Railway, this line would become an integral part of the company's system.

One of the main functions of the proposed railway line would be to carry base metals, namely lead and zinc concentrates, from properties owned at Pine Point by Pine Point Mines Limited, a subsidiary of Consolidated Mining and Smelting Company of Canada Limited. This railway, however, is also intended for the purposes of northern development generally and I would say, Mr. Chairman, that is the main purpose of this railway. In addition to serving a townsite of some 2,000 people at Pine Point, it would provide service to some 8,000 people, most of whom are engaged in farming north of Grimshaw, help existing industries on the Great Slave lake such as commercial fishing, and gold mining at Yellowknife, aid in the development of agriculture where only 700,000 acres of a potential of 6 million acres of arable land adjacent to the proposed railway line are currently being farmed. It would assist forestry based on some 30 million acres of adjacent forest land and stimulate mineral exploration, which would undoubtedly lead to new mining developments. Finally, the railway would form an important link in Canadian defence establishments in the north.

The cost of construction of this railway has been estimated at $75 million. Because of the distance involved, the proposed branch line could not be self-supporting from the start and, as I already intimated to the house on February 16 last, some form of governmental subvention will be necessary. The bill which will follow the resolution will authorize payment to the Canadian National Railway Company of a subsidy equal to the actual cost to the company of constructing the line but not exceeding $86,250,000. This sum represents the estimated cost of construction plus 15 per cent for contingencies.

To assist the government in this project Pine Point Mines Limited proposes to make every year for 10 years following construction a contribution toward the cost of constructing the line which at the average lead and zinc prices during 1951-1960 would aggregate $12½ million over the 10 years. It is also proposed that the company pay on a shipment of 215,000 tons of concentrates annually for 10 years, a freight rate sufficient to recover all operating costs of the new line between Pine Point and Grimshaw. The bill will provide that neither will construction of the railway start nor will the crown make any payment for construction before an agreement has been entered into between the mining company, the Canadian National Railway and the crown in the line with the above.

Pine Point Mines Limited is ready to start the construction of the necessary mining plant on its property near the south shore of Great Slave lake at a cost of $21 million. In addition, Consolidated Mining and Smelting Company will spend some $16 million for the expansion of its plants at Trail, British Columbia, where the Pine Point concentrates can be most economically treated.

Pine Point property can be put into production as soon as rail transportation is available, but construction of the line would take about four years to complete. In this connection there is one factor which lends particular urgency to the construction of the line. The Sullivan mine at Kimberley, British Columbia, cannot produce economically more than 65 per cent of the lead and zinc required for the smelters at Trail, British Columbia. In order to maintain the output of its plants, Consolidated Mining and Smelting Company has been relying on other local sources of supply, but these will be completely exhausted by 1963, and the concentrates from Pine Point will then be required to meet the resulting deficiency.

If there is positive assurance of immediate construction of a railway, Consolidated Mining and Smelting Company will make temporary arrangements to supply its plants from some foreign sources and so cover a gap of two or three years. Otherwise, the company may be compelled to make permanent arrangements to import annually some $13 million worth of lead-zinc ores for processing at its smelters in Trail. Quite apart from the detrimental effect that this would have on our foreign exchange position, to start importing zinc at a time when a very rich mine in the north remains unproductive would certainly be bad from the point of view of national development. Consequently, the committee will appreciate the importance of giving prompt consideration to the proposed legislation so that a start may be made on the construction of the line as soon as the current location survey being carried out by the C.N.R. is completed this fall.

I am very pleased to recommend this resolution to the committee, which I think might mark a milestone in the history of transportation in Canada. This is a railroad that will be extremely important in the development of the northern regions of Canada. It is a railway that will prove to Canada and to Canadians the tremendous potentialities that exist in our northern lands. The main bulk cargo that will be carried by

the railway will be base metals from one single mine at the start, but this is an example of the great potentialities of the northern parts of Canada.

I know I will be followed by other members like the member for Peace River who has a tremendous interest in this matter and has always shown determination in asking the government to develop the splendid agricultural area of the Peace River valley. I am quite sure it is a great day for him when he sees that the government is going ahead with this forward-looking project that will mean so much to the development of the Canadian north.

There is one rather simple amendment I should like to make to the resolution. I will not read the whole resolution as it now stands, but in the sixth line from the bottom there are these words:

> ...for payment to Her Majesty not exceeding $12,500,000 on behalf of Pine Point Mines Limited toward the cost of constructing the said line of railway...

The $12½ million is based on the price of lead and zinc at the present time, but what we are bringing before the house in this resolution is a system by which the company will make such payments based on the price of lead and zinc concentrate at the time of the payment. I would ask one of my colleagues in the cabinet to move an amendment to change the figure $12,500,000" to "$20,000,000". The resolution would then read:

> ...for payment to Her Majesty not exceeding $20,000,000...

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

Mr. Chevrier: On that point, Mr. Chairman, the question arises at once whether the consent of the governor in council was obtained to increase the $12½ million to $20 million. The minister has not made any mention of that. Perhaps he could say a word on it.

Mr. Balcer: If we read the resolution carefully we will see it is quite clear that the amendment is a very practical one because it is based on the world price of lead and zinc. More details will be given, of course, in the bill itself. What is proposed in the resolution now would mean a payment of about $12½ million and the change in the amendment is to make sure that if the price of lead and zinc in the next ten years is greater than the actual price at the present time there will be enough leeway to cover the difference in price. This resolution has been approved by the governor in council, and that is the reason why I asked one of my colleagues to move the amendment.

Mr. Chevrier: I have no difficulty in following the reason for the amendment. It is quite clear from what the minister has said.

But the point is that when an additional charge is imposed on the treasury—

Mr. Balcer: It is not on the treasury.

Mr. Harkness: It is the reverse.

Mr. Balcer: It is the reverse. It is the company that will be called upon to pay the amount of money.

The Chairman: The amendment would have the effect of increasing the payment to Her Majesty from $12½ million to $20 million.

Mr. Chevrier: If that is the case, Mr. Chairman, the point that I made is no longer valid. I should like to comment now on the resolution which the minister has discussed. So far as we on this side of the house are concerned there will not be the slightest difficulty with regard to our approving the resolution and the bill to follow. The reasons for that are quite clear.

For many years now the Liberal party has stood committed to the construction of this line. I remember that when I occupied the position now held by my hon. friend the construction of this railway was under consideration, and after I left and my successor, the Hon. Mr. Marler, took over the Department of Transport I know that the matter was also under active consideration then.

Canadian National Railways, both when I held the office and after I left, was of the opinion that this railway was essential to the development of the north. In their view the railway was essential if the base metal deposits in that area were to be developed. The committee will probably remember that on a number of occasions resolutions were put out on the order paper demanding approval of the construction of this railway. In 1957 the hon. member for Mackenzie River had a resolution on the order paper in these terms:

> That in the opinion of this house the government should consider the advisability of recommending the construction as soon as possible of a railway from Grimshaw, Alberta, to the south shore of Great Slave lake, Northwest Territories, in order to open up and develop the agricultural lands of northern Alberta and the vast mineral and oil resources of the Northwest Territories.

I think all of the reasons given by the minister for the construction of this railway can be found in the brief which was presented to the royal commission on Canada's economic prospects by Mr. R. G. Robertson, commissioner of the Northwest Territories, at Edmonton, Alberta, on November 22, 1955. At page 24 of that brief the commissioner stated:

> May I submit for the consideration of the commission three methods by which transportation facilities into the Northwest Territories might be improved. The first is the construction of a railroad to Great Slave lake.

In the following pages are found all the reasons for the construction of this line, reasons which have already been enunciated by the minister in the statement he made a moment ago. One will find here a discussion of the base metals that would be developed as a result of the construction of the railway, a discussion of the forest reserves that would be tapped by the railway, together with the benefits that would ensue from base metal developments and sales. There is also consideration of the amount of ensuing freight. There is a further statement which the minister stressed particularly in his remarks a moment ago, that the line was to be built to carry lead and zinc concentrates and also, but more particularly, for the purpose of northern development.

The brief which I hold in my hand, reads in part at page 29 as follows:

> A railway to Great Slave lake will not be just another railway. It is not a railway to a lake, or to open a mine or to serve a community. A railway to Great Slave lake will be one of the great development railroads of the country.

Then, the brief goes on to develop that idea. Without in any way minimizing or taking away from the minister's statement, therefore, I simply say that as far back as 1955 there was brought to the attention of the royal commission on economic prospects the need for the construction of this railway, and the vital assistance it would be to the development of metals and the development of the whole north country.

I should like to remind the minister and the committee that the construction of this railway was advocated in the Pearson plan, the plan which was put forward in our election platform in 1958. It is regarded that, unfortunately, there has been a considerable delay on the part of the government in the construction of this line which was first announced in the speech from the throne several years ago. It was announced a second time, and then there was an announcement that a royal commission would determine which of the two routes would be followed, that from Waterways north or from the end of rail on the western route, from Grimshaw. When the royal commission reported on which of these two alternatives would be more advantageous, the government included in its last speech from the throne, that is the one in 1960, the announcement that a location survey would be made. The location survey, I understand, has not yet been completed, as the minister indicated during consideration of his estimates. Nevertheless, the legislation is now being brought forward.

We agree with the minister that this will be a great step forward in the development of the north and in the development of the resources in the north, and it will have also the advantage of bringing about the completion of an important link in defence establishments in northern Canada. We see no reason why we on this side of the house should not give this resolution our wholehearted support.

Mr. Herridge: Mr. Chairman, this is an important resolution covering a very interesting development, having in mind further development in the north. Before proceeding, I cannot help but comment that it is very interesting to members of this group to note how quickly these large and successful private companies, such as Consolidated Mining and Smelting, come running to the government with cap in hand to get public funds to assist them with their free enterprise. I have had considerable correspondence on this matter. We support the resolution, mind you, but this is an interesting aspect of it from our point of view.

The Canadian Pacific Railway has controlling interest in Consolidated Mining and Smelting Company. My inquirers want to know why the Canadian Pacific did not undertake construction of this required railroad without having the company in question come to the government for public assistance. I understand that the building of this railroad was primarily prompted by representations made by the directors of Consolidated Mining and Smelting to this and former governments. In addition to carrying lead and zinc to the smeltering trade I understand, according to the minister's report, that there are tremendous quantities of forest products to be transported over this line. There are the possibilities of great agricultural developments.

I am not going to take much time now because I think the debate on this question could take place very satisfactorily on second reading. However, I do suggest, Mr. Chairman, that this proposal contains financial, economic and technical implications of major importance that require careful study by the committee on railways, canals and telegraph lines for the protection of the public. I believe this bill should go to the committee for a complete study. The committee should bring before it the president of the Canadian Pacific, or some suitable official, the president of the Canadian National or a suitable official, the president of Consolidated Mining and Smelting Company, as well as officials of the Department of National Revenue to say how income tax arrangements are provided for under these circumstances. I have been interested in learning how large companies have been benefited from accelerated depreciation in the past. I believe officials from the

Department of Forestry should come before the committee to give some accurate assessment of the forest products potential of the area to be served by the railway. Officials from the Department of Agriculture should let us know the grain potential of the area.

I am not speaking for those with whom I have had correspondence only. I have had representations from people interested in this development and who want to see it advanced, but who want to make certain that the public interest is protected in every way possible and to ensure we are getting a satisfactory return. We do not want another section of the Canadian National Railway which will operate at a loss over a number of years. I believe there should be a thorough examination by the committee of every aspect of this proposal. We should have the production of all correspondence, documents, memos, minutes of committee meetings with officials and various company representatives, maps, and comments on discussions that have been held prior to the introduction of this resolution.

Then, Mr. Chairman, I believe we should have very certain knowledge as to the ore reserves available. There is on my desk now contradictory evidence from a mining engineer. We want to be certain we are doing the right thing. In addition to that, we should have some definite evidence that will assure the public that the future operation of this railway will not mean we are imposing an additional burden on the public which should, morally, have been accepted by private interests. We all know that criticism comes from a number of sources. I have had conversations with officials of other mining companies. Before we pass the bill finally, we should be able to go back to our constituencies secure in the knowledge that we can defend this resolution, having received all the information we sought. We could then say we believe we are justified in passing this legislation and in taking another step toward northern development. This is all I have to say at this time, Mr. Chairman, but I shall have more to say on the second reading of the bill.

Mr. Baldwin: Mr. Chairman, let me at once take issue with the statement made by the last speaker that the motive and the reason for this resolution and what is behind it springs primarily from the interest and the request of the directors of a mining company. The background of this project comes primarily from the demands and requests expressed over a period of 30 to 35 years by thousands of people, small people, the homesteaders, the settlers, the pioneers in the north area of my constituency; the people who went into the Northwest Territories and who have established communities, cities and towns there. They are the individuals who are responsible for this particular project. They are the people who have requested this project, a request to which this government has given heed. I say that the hon. member's statement is entirely at variance with the facts.

I agree with the hon. member for Laurier who said that this project was one which had long been promised. It had been promised for almost 30 years. This promise has finally been fulfilled. It has been fulfilled by this government under the right hon. gentleman whose interest in and concern for the rights of the small man are well known to the people of this country. This is a project realized only after this government took office. It is a project that, true enough, was promised for many, many years under the previous administration but which did not get beyond the stage of promise.

I would hope this matter could be considered, and I believe it will be, in a non-partisan manner. It is my genuine belief that this is a project not of a local or parochial nature, but one which many years after the interests of the mining people may be exhausted will be of benefit and value to the economy and to the people of this nation far beyond what was conceived in the first place.

I listened with interest to the remarks of the hon. member for Laurier with regard to the statement made to the royal commission on economic affairs, commonly known as the Gordon commission. A brief was presented by Mr. Gordon Robertson, the deputy minister of northern affairs and national resources. I quoted that same statement in the first speech I made in this house to lend emphasis to the necessity for this particular project.

I should like to make this statement, Mr. Chairman, before I deal with some other aspects of this particular matter. There has been some delay in carrying out this project but I would point out to the hon. member for Laurier and to hon. members of this committee that the entire responsibility for this delay can be laid at the door of the previous administration, because for reasons which are completely unintelligible to me, which reasons were advanced and which on examination were shown to be based on completely fallacious assumptions, they sought to divert what was the natural and the logical course of the route of this railway to one which would have proved calamitous for this nation; a route which would have involved the expenditure of a far greater sum than would have been justified in a project of this nature; a route which, in my humble opinion—which is reinforced by the findings

of the royal commission, to which I will refer later—should not have been followed.

It was only because the previous administration sought to divert what was the natural route to this other route that this delay occurred. I established this when I spoke on the estimates of the Department of Northern Affairs and National Resources. I put upon the record facts which constitute an irrebuttable circumstantial case reinforced by documents and references and buttressed by citations which to me indicate that these facts cannot be denied. This was the situation this government faced when it come into office and to which I will refer later.

I think I would be derelict in my duty, Mr. Chairman, if I did not at this time pay tribute to those who have assisted in the realization and consummation of this project which they so devoutly desired. These people have worked for so long to this end. I refer to the thousands of people in the area of Peace River and in the Northwest Territories, many of whom would at first blush appear to have no interest at all in this great project; people living 200 and 300 miles away; people coming from a land which had for so many years been so bitterly disappointed on so many occasions with respect to promises of transportation facilities that they felt this was their fight. This was a project to which they committed themselves irrespective of their personal or pecuniary interests. I refer to the boards of trade, the chambers of commerce, the farmers union organizations and the individuals who worked with me in preparing the material which was submitted to government and to commissions. There is a debt of gratitude owing to these people.

I would also like to refer to the position taken by my colleague the hon. member for Athabasca, who comes from an area which is to some extent involved in this particular issue. The hon. member took what I can only regard as being a proper, worthy and statesmanlike position. His views as expressed in this house from time to time were that this issue should be decided upon the facts, which were shown to be in the interests of Canada as a whole. In doing that, the hon. member is deserving of commendation. I also pay my respects to the hon. member for Mackenzie River, who has long been a doughty and a strong fighter for the things which are requisite and desirable for the people of the Northwest Territories.

Finally, Mr. Chairman, I want to pay tribute to the government and to the Prime Minister. When I first came to Ottawa in 1958 I found a situation which presented some very formidable aspects. So far as I could see, decisions had been made under the previous administration which indicated that the natural and proper aspirations of the people in my part of the country were going to be neglected. With that in mind I presented petitions; I spoke in the house; I presented to the cabinet and to the Prime Minister the request of the people of my area. In his consideration of this particular problem the Prime Minister was not in any way partisan or biased. All that we asked was that this issue should be judged fairly and properly on the facts; on the true, accurate and relevant facts.

We asked for the appointment of a board or tribunal which would make an impartial, equitable inquiry into this issue. That request was granted by the government and there was established in due course a royal commission to make inquiry into this route. That was the Manning commission. It was as a result of the findings of that commission that we have the resolution which is now before the committee. If it had not been for the position taken by the Prime Minister and the government that there was a case which must be heard, I fear that the result might well have been that, as I said earlier, we would have been embarking upon this project on a basis which might well have been disastrous.

I thoroughly agree with what has been hinted at by the hon. member for Kootenay West. There are railway problems facing us today, and I think we must examine this issue quite closely and quite carefully. Fortunately, in doing so we can direct our attention to information, facts, figures and statements which have been gathered by the Manning royal commission. This commission sat for almost a year and its decision was finally made after several months' consideration. This to a large extent accounted for the delay in introducing this resolution. Comment was made at one time that the findings of the commission were not the findings of the majority. I must make reference to this matter. This is altogether incorrect. The findings of the commission were based on a two to one majority in favour of the railroad being constructed on the route established by this resolution. I do not propose to go into what was said, but I want to make it clear beyond doubt that when the commission filed its recommendation two of the commissioners came to the conclusion that the western route, or the route to Grimshaw, should be selected.

We have recently had the benefit of reading the first report of the MacPherson commission dealing with the difficulties of the railways in Canada. I think therefore it is logical that members of this committee will be concerned to examine this question in the light

of what will probably be the economic benefits to the people in the northern part of the Peace River region, in the Northwest Territories and in Canada as a whole. I should like to give the committee certain facts and figures which I think will be helpful when we come to second reading. The question of timber was mentioned by the hon. member for Kootenay West. At the time the Manning royal commission held its hearings the province of Alberta was interested in this matter and we have the benefit of an extensive study and assessment of the potential yield on a perpetual yearly basis from the area which may be called tributary to the route which this railway is to adopt. This information is set out at page 86 of the first volume of the report.

After studying the whole matter carefully, after obtaining the reports of people engaged in the lumber business in the area and after going through the minute and accurate reports of the forestry department of Alberta the commission came up with this information. They found there was a total volume of saw logs which could be converted into lumber amounting to 8 billion board feet. Of course, we must look at this from the viewpoint of the railway in an attempt to find out what revenue can be expected from the various types of traffic which the road can carry. This total volume of timber is expressed as an annual cut of 136 million board feet which would provide a total of 4,500 cars or a total revenue of $3,600,000. I am not suggesting, and I do not expect the committee to accept, that this will be realized at once but it is the potential as far as saw logs are concerned. The total which the area would yield to the railway in board feet would bring an annual revenue of $3,600,000.

Going on to the question of pulp, there is sufficient potential in the area to justify in the course of time the construction of six 500-ton pulp mills at 200 million f.b.m. per annum resulting in a potential annual tonnage of 200,000 tons a year with a total rail revenue of $12 million. This, too, I do not expect will be realized for some time. However, it undoubtedly represents the opinion of people who have examined this situation closely with a view to determining the quantity of freight which will be available to this railway when it has been constructed and the development has taken place which we who live in the area know will, in fact, happen.

I turn from this to agriculture. During the last few weeks anxiety has been felt by many people in western Canada and, for that matter all over the country with respect to the grievous situation in the farm lands of western Canada and parts of the western states of the United States. We have heard, in addition, of the situation in China where large regions are said to be threatened with famine. All this must give pause to all those who have in the past said we shall never require more land to be opened up and added to our existing farm acreage. I think he would be a brave man who, in the light of natural uncertainties and in the light of the speed at which the population of the world is expanding, would say that in the normal course of development we would not require the farm land which will become available after this railroad has been constructed.

While gathering information in connection with the brief I presented to the royal commission I had occasion to seek advice from the agriculture department of the province of Alberta which put out a number of sheets covering various areas. On one occasion I found there were in a certain number of townships in which were alleged to be approximately 400,000 acres of potential farm land. Within a year of the time I first obtained that information until the time I presented my views to the royal commission, that 400,000 acres had been expanded to over 2 million. There is no doubt there will be tributary to the route this railway will take, from a minimum of 5 million acres to a maximum of 9 million acres of potential farm land. It is my sincere conviction that in due course, with the development of our country the agricultural production from that land will be required in Canada and elsewhere.

May I reassure hon. members that we are not thinking in terms of wheat production. What we expect this land will yield will be the oilseeds, the grasses, the feeds—the type of mixed and versatile farming for the products of which there always has been and, I believe, there always will be a proper market. This land will come into production and the production will be required by the world.

I could go into the subject of gas and oil. The whole area is permeated by a development scheme being undertaken at the present time by oil companies which are actively engaged in explorations for natural gas and oil. There are some minor fields already in existence. I have every reason to believe that before the end of the next few years major fields will be discovered in the area. We do not need a railway primarily for gas and oil development but we shall need a railway if in the course of the development of natural gas and oil resources we find there are large quantities of natural gas which have to be processed, resulting in the availability of sulphur.

Some mention of minerals has been made by the minister. True enough, Pine Point minerals, one of the largest lead-zinc bodies in the world, will come into production with a minimum of some 220,000 tons of lead and zinc concentrates a year. That is the minimum. I have no doubt at all that it will be substantially extended.

I noted in a recent press report appearing in the Edmonton *Journal* that the president of the Consolidated Mining and Smelting Company felt that this would justify the expenditure of some $20 million at Pine Point alone. I have also been informed by a reasonably good authority that there will be a commensurate expenditure of almost the same amount of money in and around Trail in due course in order to take advantage of the extra concentrates which will be moved into that area.

With the minimum tonnage at which the railway will commence hauling there will be a yield to the railway of something in the neighbourhood of $1 million to $1.5 million per year. That, of course, is subject to such agreements as are referred to in the resolution which will be negotiated in the best interests of the people of Canada by this government.

Mr. Chairman, I should like to say something about the benefits of this railroad to the people of the Northwest Territories. Since 1937-38 when mining commenced in Yellowknife and district the people of that area have been carrying on with an economy which has been unfortunately hampered by the tremendously large costs of bringing freight into and out of that area. I have a table before me which is part of the first report of the Manning royal commission regarding present freight rates and expected freight rates once this railroad has been constructed. At the present time, based on class 45 carload lots by rail, class 5 for carload lots by barge, and class 4 for truckload lots by truck, the cost is $3.68 per hundred pounds from Edmonton to Yellowknife via Grimshaw and Hay River, and $4.68 by highway using the winter rate. That latter figure will have to be reduced because at the present time the highway to Yellowknife has been completed. Set against that are the figures which have been given to the commission which will represent the rates after the railway is built, a rate of $2.61. One can therefore appreciate that there will be a very substantial saving as a result of this railway being built.

In respect to the situation which exists in the Northwest Territories, I suggest that the area is on the verge of tremendous development, but in order for that development to proceed, the people there must be in a position to receive their commodities at a rate which will permit them to proceed economically. That has not been possible in the past. As a result of the policy of this government the Mackenzie highway has been completed, hand in hand with the proposal to construct this railway, and I am sure the Northwest Territories and the general vicinity of the north will benefit tremendously.

Apart from the question of economics, and I think I have said sufficient to indicate that there is vast promise there and great benefits which will inevitably result from the completion of this railroad, there is a sociological factor which cannot be ignored. I have touched upon the first aspect of that already. For many, many years promises have been made and broken but we now have a government which has kept its pledge to the people. I suggest that fact will have a great effect on the minds of the people, particularly those thousands who went into that north country with the firm understanding that a railroad would be constructed. Those individuals have hewn out their farmland from the forest, have trucked their supplies in and hauled their grain out over 250 miles at a cost of 40 cents a bushel. These people have persisted in the face of these difficulties, and now at last they have a government which keeps its word.

Mr. Chairman, I suggest that the completion of this railroad will provide opportunities for the small people. The days of the pioneer, as I saw them when I first went into the Peace river country, have to a large extent diminished. There will be made available in those areas opened up by the construction of this railroad hundreds of thousands of opportunities for individuals who wish to establish themselves, employ themselves in carving out new carers, new lives, and new homes. It is my firm belief that there will develop shortly on this continent a substantial trek into areas such as this of those individuals who feel that some of the large and more ungainly centres of civilization do not offer what they seek.

Finally, Mr. Chairman, if I may be allowed to use a phrase which was used by a great British statesman many years ago, I think the Prime Minister and members of this government by this measure have called into being a new land in part to redress the balance of the old.

Mr. Herridge: Mr. Chairman, I should like to ask the hon. member a question as he has misunderstood a statement I made when I suggested that the opening of this mine and the shipment of ore was the prime reason for this bill. I think he misunderstood my application of that statement. Is it not correct

to state that this railroad was not practically feasible until the revenue resulting from large shipments of lead-zinc concentrates was guranteed?

Mr. Baldwin: Mr. Chairman, I am happy that the hon. member has corrected a misapprehension which I seem to have formed in respect to his statement. I should like to answer by saying that this railroad would have paid for itself in due course without the guarantee of the shipment of lead-zinc concentrate. I think it might be said, however, that will provide some bread and butter at this time.

Mr. Herridge: Right.

Mr. Browne (Vancouver-Kingsway): Mr. Chairman, the only member from British Columbia who has spoken on this measure is the hon. member for Kootenay West who appeared to be throwing cold water on what the government was doing, as usual.

Mr. Herridge: Do not misinterpret my remarks.

Mr. Browne (Vancouver-Kingsway): I am not misinterpreting your remarks. You will have an opportunity to reply to what I am saying. I suggest that you said you were going to vote for this measure, of course, but that we should be careful and attempt to detract from it in every way we can, which is your usual policy in regard to measures of this kind.

In order that there will be no misunderstanding in regard to the position of the province of British Columbia in respect to this matter I think I should make a few remarks at this time.

Mr. Herridge: The hon. member speaks for British Columbia.

Mr. Browne (Vancouver-Kingsway): I will attempt to show you that is exactly what I am doing at the moment, to a far greater extent than anyone in the C.C.F. party will do.

I spoke in regard to this matter when I first was elected to this house during my maiden speech as it appears in *Hansard* of May 19, 1958. I advocated the building of this railroad using the route that is now being adopted by the present government. At that same time the hon. member for Peace River took a very active part and undoubtedly deserves much credit for the fact that this route has been chosen because he brought out facts to show that this was the proper route, and also did a great deal of work in this regard during the Manning commission. I am sure that the people of the Peace River area both in Alberta and British Columbia owe much to the hon. member for Peace River.

After I had spoken in regard to this matter in my maiden speech in this house I received a letter from the premier of the province of British Columbia who, after having congratulated me, in respect to my maiden speech, made the following statement as it appears in that letter:

> I was gratified that in this first speech that you dealt with the development of northern British Columbia and Alberta and wish to thank you especially for the remarks which you made regarding the building of a railroad from Pine Point in the Northwest Territories. I presume you had in mind that the road would go to the neighbourhood of Grimshaw, a point on the northern Alberta railway which is owned jointly by the Canadian Pacific and Canadian National railways. The traffic would then have a choice either to go by the N.A.R. to Edmonton or by the N.A.R. west to connect with the Pacific Great Eastern Railway at the British Columbia border. Along with this point of view, our bureau of economics has been carrying out some research and for your information I am enclosing their preliminary report. If you are interested, I will be glad to send you any further information we are able to get.

This letter was signed by W. A. C. Bennett, premier of the province of British Columbia. I hope that full use is going to be made of this railway, and that we will see a good deal of traffic going over the Pacific Great Eastern Railway lines because I believe it will be of great benefit both to the Peace river area of British Columbia and of Alberta.

The government of the province of British Columbia took a very active part in trying to provide information with respect to the route which should be chosen for this railroad. I should just like to read two statements from the brief which they submitted to the royal commission on the Great Slave lake railway. They are on page 3 of their brief and read as follows:

> The purpose of this government in making the present submission is twofold:
> (a) In the national interest, it is felt that the proposed rail extension constitutes an important and necessary initial step in the development of the resources of the Mackenzie district and will make a major contribution to the expansion, growth, and development of northern Canada.

Of course, this quite clearly bears out the view many of the members have expressed, namely that this ties in very closely with the whole northern development policy of the present government. After the many years of delay and talk about this railway it is most encouraging to see that action is going to be taken by the present administration.

The second paragraph in the brief reads as follows:

> (b) As a partner with the province of Alberta in responsibility for the geographical region known as the Peace river district, which lies partly within

British Columbia boundaries, this province wishes to make available its special knowledge of the said area in view of the fact that two of three proposed railway routes run through the Peace river district.

Of course, they went on to advocate the western route which has now been chosen by the government. Regardless of what the hon. member for Kootenay West might think, I believe I am speaking for the people of British Columbia when I say I wish to congratulate the government on having chosen the proper route, based on all the facts as they were put before the royal commission. The government deserves commendation in that after the long delay of many years and promises made by former governments this government is taking action to speed up the development of Canada.

Mr. Bigg: Mr. Chairman, this is the day that I have waited for ever since I came to this house. Unfortunately, perhaps, for some of the residents of my district the railroad is going through the Peace river district. I spoke strongly for the railroad going through my part of the country naturally because the eastern half of northern Alberta is equally rich in resources as the western half. Nevertheless water transport is the life blood of the eastern half of northern Alberta and I have always seen the orderly development of the north country tied in with roads and water transport. Although a railroad is essential for the orderly development of the north country, I have always stressed on our side the need for adequate highways and better water transport. Unfortunately, again the question of building roads in eastern Alberta is largely the responsibility of the provincial government. Our far seeing government has developed a tremendous program of roads to resources. This is the only hope I have of getting superior and rapid development of roads in northeastern Alberta, and I have concentrated most of my efforts in this direction.

Kind remarks were made about me by the hon. member for Peace River and my respect for the hon. member is equal to that of any hon. member in this house because he also has taken a very impartial view. He has demanded that all the facts be put on the table. I do not know whether all the facts have been put on the table yet, but we appointed a royal commission to look into this matter. I have read its reports very carefully and I think it made a fair decision in this case.

I should like to have sat on a commission myself, not as a member of a royal commission but on a fact-finding board. Had I been appointed to such a board, then it would have been said about the decision that I had played petty party politics and regional politics. In a situation of this kind the appointment of a royal commission was the only fair way to make an impartial decision, or certainly one which would be accepted by the people of Canada as such.

The accusation that this road is being built purely as window dressing is far from the truth. This is an essential part of what we are still proud to call the vision, the development of northern Canada. If we wait until we have orders from mining companies, timber companies or any other kind of companies before we build a railroad we may never get those companies into the north country. Railroads are essentially a pioneer project. When Sir John A. Macdonald signed the final order to build the C.P.R. this was vision, a vision which made Canada what she is today, and this move of the government to build this great railway into the north as fast as possible and as far as possible, I predict will have the same kind of result.

The great development of the north country cannot help but benefit not only northwestern Alberta but northeastern Alberta, the whole of Alberta and the whole of our country. The pioneering spirit is not dead in Canada, and this I think will give it that shot in the arm which is needed at this particular time.

Lead and zinc are on the south shore of Great Slave lake, one of the richest deposits on the planet. I do not know how soon we are going to need those deposits, but I understand that at the present time we are in short supply. I am for any company, be it the Consolidated Mining and Smelting Company, or any other company which takes a forward view and wants Canada to be well stocked with all the munitions of war and peace.

I am one of those who still believe that the leadership given by privately owned and operated corporations is the finest way of raising the standard of living in Canada, in North America, yes, in the whole world. I think it is an unfair thing to say that we are building this railroad for any company because the railroad serves us all. That is why we pay deficits. I say we will not pay deficits if we build those railroads to the right places and carry them to the right places to develop the resources of our country. I say build it now.

I want to pay tribute to the hon. member for Mackenzie River who is not here today. I am sure he would be glad to be here to see one of his dreams come true, because he is a man who sees the development of Canada as a whole. He puts party politics to one side. I remember seeing him standing in this house some time ago, and I remember

hearing him say, "I don't care where you build it; I just want to know that you will build it as soon as possible."

There have been so-called delays but those delays have been occasioned so that we could build it the best way, the cheapest way, the most efficient way and the way that will serve the whole of Canada, including British Columbia, in the most efficient manner.

There is another reason for building this railroad into the north country, and that is it will help us develop the southern part of our country as well. I can see the day when this railroad to the north from Grimshaw into the Great Slave country will be linked with a line running to the east into Saskatchewan and through my district. One or two very short links would connect the lines of Canadian National Railways north of the Saskatchewan river and provide an efficient railway service to the whole of the parkland stretching from Edmonton to Prince Albert.

Railroads do not only serve mining and agriculture. They are also very important for defence purposes. The proper linking of railways today is all-important when such things as Bomarcs and other rocket equipment will be needed if and when we have a war. In defending North America our defence will have to be extremely mobile, and I look to the day when we will have a network of railways and not the kind of bottlenecks that we have today.

In order to travel into northern Alberta today by railroad you have to go through the city of Edmonton. All the railroad lines fan out of Edmonton. We live in the atomic age and one atomic bomb on Edmonton would paralyse all the railroads in northern Alberta. If our railroads are going to operate efficiently both in war and peace it is essential that we have a proper, sensible network and eliminate these bottlenecks.

So I look to the day when lines of Canadian National Railways in northern Saskatchewan and northern Alberta are linked together, and it would not take very many miles of railway line to do this. In one place the gap is only 40 miles and this would eliminate an additional haul of 328 miles from Frenchman Butte in Saskatchewan to Heinsburg which is just east of the flourishing town of St. Paul. If this link were closed we would have a short cut between Winnipeg and Cold Lake airport which is today a most important part of the air defence of North America.

Railroading is not dead; it is simply inefficient at the present time. I have said before in the house that I am not a railroader, but if you will take a look at the railroad map of northern Alberta you will see two things. First of all, you will see that we need a link with the Northwest Territories, which we are going to build, and, second, we need to link this great north and south railroad with a line east and west so that we can cut down extra mileage in freight hauls and can have a network for the defence of the whole of northwestern Canada which is of great importance today.

I believe in the future of railroading because we are a pioneer country and we will be hauling heavy freight which can be handled most efficiently by railroads. Perhaps this railroad will not pay for itself in one year but over a period of 50 years it will apy off a thousandfold. It will develop Canada in depth.

It has been said that we are only building this railroad because of the mineral resources. This is not true. The hon. member for Peace River has shown that the potential in timber with proper modern timber farming methods means that northern Alberta will be a very rich source of both timber and pulp once we have rail facilities into that country. I need not stress the importance of the tar sands. In my district alone there are between 200 billion and 500 billion barrels of tar and oil-producing tar sands. Having in mind the situation in Kuwait which may blow up at any time, we can realize the importance of this resource because we may need the oil. I say that we need vision and we should take steps to encourage private companies to go there and develop that great national resource.

Great Slave lake and all the other lakes of the north are rich in fish and fishing is essential to the incomes of our metis and Indian populations. The supply has only been scratched. We can bring tons and tons of fish from the north country by rail and this will be of tremendous help to the Indians and metis in the northern part of my riding in assisting them to earn a living by working at something to which they are eminently fitted. This has been a traditional way of life with the metis and the Indians who take to fishing particularly as a natural way of earning their living. We can show no better faith than by helping them to develop the fishing industry over the period of the next 25 years.

There are also large deposits of gypsum which is very important today. The supply of gypsum is almost unlimited. Iron ore has now been found in northern Alberta. The Northern Alberta Railroad is one railroad which has been paying its way. I think this is very important at the present time when some of the other railroads are experiencing such large deficits. Some people say that we should not build any more railroads but we should certainly build them where they will make money. One reason they are making money lies in the fact that their freight rates for transporting cargo into the north are

exorbitant. This is another reason why I should like to see railroads and roads into the north built at the same time because in that way we would have competition.

When I speak of private enterprise may I say that I am not one who believes in monopoly. This is one reason why I have suggested that when this railway into the north has been constructed there would be nothing wrong with building a second railroad into the north. One could run through the Peace river district and the other could run from Fort McMurray to the south shore of Great Slave lake. At the present time this might look like duplication but I think it will not be very many years before the railroad into the north which we are going to construct will be so busy that we will need two lines. Instead of constructing a double track route at that time I think we should have one line running through the Peace river district and one running north from Fort McMurray.

I think any fair-minded person who reads the report of the royal commission will say that the need is greater at the present moment on the western route. Anybody who cannot see that the north country will support two railways and that the future of the north country is almost unlimited lacks vision. A lack of vision cannot be attributed to the present government because they have vision and are doing something about these things.

Before I came to Ottawa I made an election promise that I would do all I could to promote the building of railroads both north and south and east and west where they are required and I say that such lines will make money. Let us be realistic. Let us have no socialist snow poured upon the sunny Alberta scene. If the socialists do not have any positive suggestions to make, let them sit on the sidelines and watch how a dynamic, self-reliant free enterprise system really works. We need every citizen in Canada behind this project. Do not look to the old party with the new face. Just open your eyes and see what the old party with the same old vision, the same old hope and the same old faith does when you put them in power and give them a chance to do so. We have been given this chance and we are taking advantage of it. We do not think such projects are a sad gamble.

I believe in the future of this country in the same way that my grandparents did, and they pioneered in this great district of northern Alberta in the early 1800's. Hon. members will excuse me if I tell them that my grandfather was the Hudson Bay factor at Lac La Biche, which is the territorial centre of my district, from 1874 to 1881. My mother would have been born there but there was only one white man in the whole country, my grandfather, and he took his wife to Fort Pitt in Saskatchewan so my maternal ancestor's home was in that fair province of Saskatchewan. It is for this reason I am interested in the development of road and rail facilities in northern Saskatchewan. This is another part of the country that is going to benefit from railroads and roads built as a result of this government's vision.

How can you say on the one hand that we have had delay and, on the other hand, say that we are building it too fast? We do not believe this is the case. We believe we have delayed only the necessary time for investigating all the facts. I myself asked to have these facts investigated. I compliment this government upon carrying out this investigation not hastily but thoroughly. I do not believe we will have to apologize for the results. By 1967, the 100th anniversary of our country, I am sure the results of this project will be evident. I do not believe there will be any more delay. The survey parties are on the ground and are already providing employment. Pretty soon we will be cutting the rights of way and we will be keeping the promises made by former governments over the last 30 years. We accept responsibility for promises made by the federal government, and we carry them out in the same manner as we carried out the promise to build the Saskatchewan dam.

Great credit has been given to former ministers of agriculture and other prime ministers for their vision in respect of these projects, but it has taken this government to put them into action. One should recall that this has been done at a time when world conditions have made trade a difficult thing, when we have had to get out there and sell like we never did before. We are recovering our markets, and it is these markets that will keep our railroads busy. It was not long ago that we said we had too much wheat. Today it looks as though we are not going to have enough. When father sun smiles too brightly on the prairies, our surpluses dwindle. Now we are selling all the wheat we can grow and we are going to keep growing it, we are going to keep selling it and it will take the railroads to haul it.

The last time we had a serious drought on the prairies thousands of people flocked into the Peace river country. They were promised a railroad to enable them to sell their agricultural products. It is a sad thing that they have had to wait so long to see the fulfilment of this promise. I, for one, am very pleased that they are getting the railroad. I look forward to the day when branch lines from this railroad will serve the whole of the

north country, thus lowering the cost of transporting freight and serving the people on my side of Alberta. This is the kind of service for which they have been looking for the last 30 years. The town of McMurray is dependent on water transport. I do not believe the town of McMurray is going to suffer at all from the building of the railway. When the north is developed the way it should be we will be loading our barges with more freight because the railroads will have helped to develop the north country. Water transport is the cheapest form of transport, and as long as water transport facilities are serviced by adequate roads north out of Edmonton to McMurray, then water transport will be able to compete. It is competition that develops, not monopoly. I do not worry about the railroads having competition because there is going to be lots of work for everybody. The railroads will be busy and the roads will be busy.

At the moment, the airways are carrying the passenger traffic. I have spoken to air line officials as recently as yesterday and they are happy that this railroad is to be constructed because they know that the development of the north will mean increased business for them. They will give fast service to the passengers and the light freight, but they know that only roads and railroads can develop the northern part of the country.

Mr. Nugent: Mr. Chairman, I should like to say a few words today in commendation of the hon. member for Peace River. I believe he has every reason to feel proud and gratified in the knowledge that his many hard years of work on behalf of this railway have finally borne fruit in the form of this resolution. In order that hon. members will properly understand what the railway means to northern Alberta and the Northwest Territories, perhaps I should say a few words about the geography of that part of the country.

I am sure that not all hon. members realize that we are not just west but are considerably north of this part of Ontario. If we were to project the city of Ottawa in a direct westerly line, Ottawa would be in the southern part of the state of Montana. Edmonton is nearly in the middle of the province of Alberta, and the rest of the province is so undeveloped that it is equivalent to parts of northern Ontario. I should say that those parts of northern Ontario about which you are used to thinking of forests, streams, hunting and fishing, are about on the same latitude as Edmonton. North of Edmonton we soon find a forest area. There is almost a solid forest area north and west of Edmonton right to the mountains. The solid forest extends north to the tundra regions.

There is only one real exception to this, and that is the Peace river country which occupies part of northern Alberta and part of British Columbia. This is extremely fertile farm land and very beautiful country. The temperatures are about the same as they are in the rest of Alberta and the normal rainfall is conducive to raising good crops. There has been such an increase in the population of the area that more and more farm land suitable for agriculture is being developed. The Peace river country extends quite a distance in an easterly and westerly direction and finds an outlet for its products to the west in British Columbia through Prince George and down to Vancouver or through Edmonton. There is a narrow strip of land along the Mackenzie highway north of the Peace river itself which is being developed as farm land.

In looking at the development of this part of the country while travelling through it on the highway we get some idea of the reason for the construction of this railway. The farm lands in the north are scattered and there are few settlements which are now as close to the highway as they can get, so they are making use of a very narrow, thin strip of the agricultural land that is available. The problem of importing the things they need and exporting their produce is extremely difficult. I have not ridden through that country in a vehicle for quite a few years, but I have watched the statistics and I know that for all practical purposes development of agricultural lands north of Manning, Alberta, has practically ceased; there is very little expansion.

That territory is capable of providing good farm land for many, many times the present population. There is very good land there. When we see the House of Commons and the government of this country giving consideration to the necessity for taking uneconomic land out of cultivation, of shifting the land from a use which was not intended, back into pasturage, etc., it becomes very apparent why it is such a shame to have what is some of the finest land in the country laying barren, unused because of transportation difficulties.

Those who suggest that the only use of this railway is to haul ore really have not given the geography of the northern part of Alberta much consideration. It is a very significant fact, I think, that the railway is going to carry on from the end of the N.A.R. which is already established in the territory. The N.A.R. railway goes to Peace River by a somewhat circuitous route. The trip is fairly long. It is twice as long by rail to Peace River as it is by road; it is twice as long in miles and it is twice as long in time. The

significance of this is that it is extremely unlikely, therefore, that this railroad will be called upon to provide any passenger service to any great extent.

I am not an expert on railways, but I have heard a good deal of emphasis placed on the losses incurred by passenger traffic on the railways. It does seem that railways are always attempting to curtail passenger services to various points and the residents of those points are usually objecting most strenuously. I think that to begin with there will not be the demand for passengers to that part of the country because the country right now is quite sparsely settled. There will not likely be the demand for that service in the future because there is a much shorter road connection, and when you are taking journeys further than from Peace River to Edmonton aircraft is now the accepted mode of transportation. In view of this fact I do not think there will be the heavy drain on railroad revenues with which other lines have to contend.

Next there is the fact that the mine potential of Pine Point is really very, very huge. There is no doubt that the amount of ore to be hauled out of that territory will mean that the railway will be able to operate in the most efficient manner possible. I understand that the soundest financial business for a railway to be in is the long haul of full trainloads on a non-stop basis. Therefore they have here the full potential for economic operation. They will be able to load and assemble full trainloads at a time; they will be able to move these trainloads long distances without many of the normal traffic hazards, without the necessity for frequent stops, etc. The produce of the mines to be developed at Pine Point should be a sufficient guarantee that this railway will be a paying proposition.

Of course, the people of that area are not just interested in the fact that a railroad is going through or that there is going to be a big development at Pine Point. The constituents of the Peace River district are interested in the railway because they see themselves being able to obtain some benefits out of it. That railway will certainly haul the wheat, the cattle and the supplies into that country for those people.

I imagine that it will be only a very short time before the farming population in the area north of Grimshaw will be doubled, and then doubled again. There is room for these people. There is splendid land there. With a good railway operating efficiently, which can therefore give economical rates, there will be plenty of opportunity for the northern farmers to compete with the farmers in the rest of the province and in the other provinces. It is only the high cost of transportation which has caused these valuable lands to be considered not valuable today because of their remoteness. I predict that their full value will start to be known and they will start to be developed within a very few years.

While the commission was considering the route for this railroad a great deal of agitation was being carried on by various groups and organizations who were trying to influence the government to go one way or the other. Many of the arguments used were, I thought, a little specious. Some I thought were merely advanced in an attempt to scare, because some people had private motives which were not at all those which they enunciated to the public.

I do recall, for instance, that in the city of Edmonton some people were trying to get the city to throw its full weight behind the eastern route, the route from Fort McMurray, because they said, "This business will all go to Vancouver. The trains will all move out through British Columbia. This traffic will not go through Edmonton and we will lose it".

I think the people who advanced those arguments were doing the city of Edmonton a great disservice. I do not believe for one minute that the majority of the citizens of Edmonton would insist on the railway going the eastern route merely because it might be better for them, without any consideration to which route would be in the best interests of the people in the north and in the rest of Canada. I cannot understand how so many people in Edmonton could have been panicked by this sort of talk. Surely a city like Edmonton, which has been known as the gateway to the north for many, many years, realizes the importance of Edmonton as a supply centre. Surely the people of Edmonton realize the impact on that city that occurred every time any part of the north was opened up. Demands for goods and services increase as the population increases. The capacity of those people to buy Edmonton's goods and services increases as the north part of the country increases in wealth.

I think the first result is going to be a greatly increased population growth in the north. The effects will be felt in northern Alberta first, and then all the way north. Edmonton, as a supply centre, cannot help but benefit by reason of that increase. There may well be a certain diversion of traffic through to the Pacific coast, but no one, I think, is going to suggest for a moment that traffic should not go where it is most convenient and where it can be most efficiently handled. But I suggest that the

amount diverted will be only a small part of the increased potential which the city of Edmonton will find in that new bigger and richer north which this railway will make possible.

I am not saying, of course, that merely puting a railroad in there is automatically going to make anyone rich. Everyone who contemplates a new venture should remember that a railway is not a source of wealth in itself. A railway, like any other means of transportation, represents merely a drain on resources —a factor to be overcome, in the same way as road transport is. Transportation is a cost which has to be borne by every business. We do have the opportunity, however, of getting the minerals out of Pine Point and we should talk of the railway as being that vehicle which seems to have potential as a means of reducing the costs which we have been facing up to this time.

I can recall the misleading pictures which some people have painted about this. There was in Edmonton at one time a newspaper called the Edmonton *Bullet*, and I still remember the flaming red headline three or four inches high which appeared one day calling attention to a tremendous lead discovery. This was merely going to prove the greatest find of wealth in years and years and they gave the discovery great headlines on a full front page. However, on reading the article it became obvious that these dreams were not to be realized. The lead was lining the Arctic ocean along the extreme northern coast of Canada. Brief reflection showed that it would cost twice as much to move the lead out of there to a civilized part of Canada as the lead was worth. I am merely telling the story to illustrate that wealth is not all it appears on the surface and that these costs, particularly the costs of transportation, are very real things with which to contend.

I know that some people have not paid enough attention to the means of transportation at their disposal. Some people have not made the best use of the transportation which was available. There is, for instance, not very much general knowledge of the size of the fishing industry on the Great Slave lake. I understand that about ten million pounds of fish a year are taken out of that lake. That is a lot of fish when one considers that the product has to be moved 800 miles over a highway to get to Edmonton. It has to be flown a long distance if it is taken out by plane. I believe the construction of a railway will have a great effect on the cost of transporting this fish. Obviously if we had been able to develop an industry which takes approximately 10 million pounds of fish capable of being sold through our present inadequate type of transport the potential must be considerably larger if we could overcome part of the cost of transportation. I am sure we shall see new canneries being built in Hay River, perhaps in Yellowknife and perhaps towards the east end of Great Slave lake.

The size of this lake is generally not understood in other parts of the country. It ranks just next to Great Bear lake in area, and Great Bear lake and Great Slave lake are both larger than lake Erie.

Mr. Pickersgill: How do they compare with lake Victoria Nyanza?

Mr. Nugent: The member for Bonavista-Twillingate shows very little sympathy for the fishermen of the Northwest Territories and northern Alberta. I trust he will restrain his impatience and not be too supercilious about this. There are people who have a great deal of stake in that part of the country. This is, I assure the hon. member, a very serious matter to them.

Mr. Martin (Essex East): Then why do you talk so disparagingly about lake Erie?

Mr. Nugent: I am sure the hon. member for Essex East is really trying to be funny now. Merely because I mentioned that there is another lake bigger than lake Erie he suggests I am talking disparagingly. I can assure the hon. member that if I mentioned somebody who could talk longer than he could I would not be talking disparagingly about the hon. member for Essex East but only about that other person.

Mr. Hellyer: Would the hon. member permit a question?

Mr. Nugent: Yes.

Mr. Hellyer: Is the hon. member aware that the leader of the house is very anxious to get this resolution through.

Mr. Nugent: I am sure that the hon. member is, as usual, trying to be extremely helpful. That remark of his is about the same as most of his remarks. While it may be helpful and well meant, as usual it does not do a thing for anyone.

While the possible route of the railway was being discussed much was said about the timber potential of the eastern route. I am pleased to reiterate what has been said by others, both in this house and out of it, that the potential timberlands in northern Alberta and the Northwest Territories can be very adequately served by this railway as presently planned. It should therefore be possible for us to have large quantities of freight which can be moved in train loads or, at least, in car lots. There will certainly be trainloads of ore. There will be car lots of timber and

fish, car lots, and probably train loads, of grain, cattle and so on. All of this is what the railway calls paying business. All of this makes it possible for a railway to make good money. I am emphasizing this because in my discussions with people in Edmonton about the railway I found that in general the citizens had become alarmed at the thought of a new railway because they had heard so much about railroads losing money, about railroads wanting to discontinue services to certain points and similar troubles. They think of the present age as an air age, an age of competition from trucks and so on. They were growing concerned about investing the sums of money necessary to build another railroad.

I think it should be said that this type of railroading is still a good business investment. This type of railroading will still compete with any type of transportation in the country and it will still make the business a paying proposition.

I should like to say a few words about the members of the Manning commission. I know they have worked extremely hard on this task, and I think the government's choice of the membership of the commission was excellent. Mr. Ted Manning is a lawyer who has lived in Edmonton almost all his life. He has had many dealings with the north of Alberta and the Northwest Territories in the course of his practice. He has travelled all over the region and has an extensive first hand knowledge of the country and its problems. Mr. John Anderson Thompson, the other member of the commission, comes from Yellowknife where he has been in business for many years. He has an extensive knowledge of the problems of the north, especially transportation. Nobody could live in Yellowknife for many years and carry on a construction business there without understanding fully the importance of cheaper transportation. Mr. Gainer gave to the committee, I thought, balance. He brought, perhaps, a more scholastic view to its deliberations. He was perhaps not as directly involved with some of the decisions and could, therefore, give a more detached view of the proceedings.

Mr. Chairman, I hope I have not exhausted the patience of the members of this committee. I see the Liberal front bench getting a little impatient and, if I thought that by merely staying on my feet I could spare the house from hearing more from hon. gentlemen from Bonavista-Twillingate, Laurier, from Essex East and other excessively vocal hon. gentlemen, I would carry on ad infinitum.

Mr. Drysdale: And we would give you a medal.

Mr. Nugent: I do feel, however, that there are perhaps others who understand the importance of this railroad to the area and, because we do not wish to stay here all summer, I thank those hon. members of this committee who have shown patience and now resume my seat.

The Deputy Chairman: Shall the amendment carry?

Some hon. Members: Agreed.

Mr. Gundlock: Mr. Chairman, I should like to say a word or two in regard to this resolution.

Mr. Hellyer: The amendment was carried.

Mr. Gundlock: Mr. Chairman, if I may be allowed, I should like to continue. I hesitate to incur the wrath of the hon. member for Trinity who has amazed me by his unusual co-operation.

Mr. Hellyer: I am glad to hear you say that. It is very encouraging.

Mr. Gundlock: Mr. Chairman, quite frankly I may be a little out of my usual form. Being a green member here I usually speak once a year, and by speaking now have placed myself out of that category. However, this bill regarding the construction of that railroad line in northern Alberta is a subject of such importance that I feel I must call attention to several facts and compliment those who have been responsible for bringing this bill before this committee. I should like to outline several reasons why hon. members should support this resolution in order to get the project into production.

The first time I heard about this railroad was during the 1958 campaign. Being a farmer from the opposite end of Alberta I was not too much interested in it. In rising this afternoon I recall particular things concerning the development of northern Canada. If my memory serves me correctly many statements have been made about visions. One statement contained words which are clearer to me today, having been in this house for four years, than they were when I first heard them. Those words were "a vision from igloo to igloo".

When I first heard those words as a new campaigner in the federal field I was actually disturbed and quite frankly had a difficult time understanding their meaning. Those words have particular meaning for me today when considered in conjunction with certain pertinent facts concerning our natural resources, and particularly those of lead and zinc. How much longer will Canada be able to supply her own needs for lead and zinc without the further development represented by the bill now before this committee? I

have heard from reliable sources that if this railway is not developed very shortly enabling this ore to reach our smelters we will have to import such ore.

Mr. Hellyer: If the hon. member would get the lead out we could go ahead and build the railroad.

Mr. Gundlock: If the hon. member for Trinity wishes to ask a question I will attempt to answer it. I am a greenhorn and a farmer, but I will take my chances and try to answer his question quite frankly and willingly, inside this house or outside.

Mr. Hellyer: I will just sit here and bear it.

Mr. Gundlock: I am sorry to impose upon you but I feel there are certain facts which should be placed before this committee. However, as I have stated, if you wish to ask a question or take issue with what I am saying, I shall be glad to facilitate a reply.

Mr. Hellyer: I would just like to get the resolution passed.

Mr. Gundlock: So would I; and I would like also to see the railway in operation.

An hon. Member: The sooner the better.

Mr. Gundlock: Mr. Chairman, I was referring to lead and zinc but the hon. member only referred to lead. I was trying to point out to the committee that I am surprised—although perhaps not too surprised in the light of certain events which have taken place in the last few weeks—that we should be even considering the importation of lead and zinc in view of the large quantities which lie at our doorstep. It is my understanding that some individuals would like to see the importation of more and more of these natural resources.

Mr. Robichaud: Would the hon. member permit a question?

Mr. Gundlock: Yes.

Mr. Robichaud: Is the hon. member aware that there exists in the province of New Brunswick, five miles from the railway and 12 miles from the sea, a hundred million tons of lead and zinc which remains in the ground because of the lack of markets?

Mr. Gundlock: Yes, I am quite aware of that. However, as I said earlier I am talking about the situation in Canada as a nation.

I suggest that Canada is in great danger of facing the necessity of importing certain resources which exist in Canada in great quantities. I suggest that we are in danger of this, and suggest it quite emphatically. I am speaking of the nation as a whole. In light of certain facts, views and ideas which have been expressed in this committee over the last few years I have come to realize that certain people would not be unhappy with increased importation of certain natural resources because they advocate high tariffs. I take no issue with that view but only suggest that certain people would like to see this come about.

As an Albertan, a Canadian and a Conservative I am very proud to be able to speak in regard to this proposal because I feel that our natural resources should be developed to the greatest extent possible. I do only refer to mineral resources but, as a farmer, I refer to agricultural products as well. I am particularly interested in agriculture and should like to take a moment or two of the committee's valuable time to say a word or two in this regard.

I have listened quite patiently very often to much discussion about overproduction and surpluses of agricultural products. We have heard this all through the agricultural debates. I think we have an example before us today, Mr. Chairman, which makes us realize that a great deal of the discussion was idle talk. We have literally millions of acres available adjacent to the area that this railway will serve. To those who say that we should not open up new agricultural areas, that we would thereby contribute to our surpluses and to our present difficulties I would simply point out in discussing this matter that it is not a fact. You can take the one burning issue that so many people have had so much to say about in this house and across the country, namely the wheat surplus, and you will see today that certain facts have borne out certain ideas that we on this side of the house have been trying to put forward for some time. Our surplus, if you wish to call it that, is certainly not what some members have tried to say it was.

It can be looked at in this way. There are many businessmen in this house. Let us take any product, I do not care whether it is wheat, apples, strawberries, lead, zinc, or what have you. If you are in the business of selling that product, and particularly if you are in a highly competitive business, you know that when a customer comes to you and you cannot supply the article he wants you will say, "I am sorry, I have not that article in stock but if you would not mind coming back next week I will have it for you". Well, in this day and age, with a highly competitive product and in a highly competitive market that customer will not come back.

I submit to you, Mr. Chairman, that if we are in that business, certainly it does not behoove us to talk about surpluses. I have listened patiently to this talk for several years since I have been in the house. I would

remind certain hon. members opposite that today we can see where our surplus is. There are agricultural experts opposite. I ask, where is the surplus? To hark back to my analogy; actually do we have a complete stock deal? Are all the articles on the shelf? For the information of hon. members I should like to say I am very happy also to know that the government has already taken steps to alleviate that lack of what I call stock. Therefore, in considering this railroad, Mr. Chairman, and the various aspects of it, such as mineral production and agriculture in particular, we must consider every angle we possibly can. I am only trying to point out some of the things that I am very happy to consider.

Another thing has been pointed out very well previously by several hon. members who spoke on this resolution that we all support regardless of party. I have heard no one say that he did not support it today. There was a great deal of criticism—I think it was constructive criticism—about the time spent studying where the location of the road should be. There was a great deal of discussion on the economics of the road. We are all interested in economics, and particularly in the cost of such a thing as a railroad. But there was one point that probably some of us failed to consider. I refer to the things that were to be hauled by this railroad from its most southerly point. The tonnages were heavy. The tonnage that will be hauled over the railroad has been referred to quite well by other hon. members; but the point I wish to make is that railroads today are different from those of 20 years ago, or even 10 years ago. The road beds are almost unrecognizable, comparatively speaking, because they have to be built in such a way so far as ballasting and grades are concerned that railroaders did not consider years ago. The only point I am trying to make is that in the studies by the commission and by all interested parties, it was apparent that the eastern route might be the most economical or the cheaper route to take simply because it costs less money to build a railroad from the end of the Northern Alberta Railroad by way of the east route to Pine Point where they intended to go. I would go along with that, Mr. Chairman, actually.

One point was left out. I never heard it mentioned by anyone vitally concerned with this railroad. It is simply this. When the railroad reached that southerly point it then had to go several hundred miles over the old roadbed of the N.A.R. Even the N.A.R. today has trouble in face of the drought and other problems affecting western Canada. There are portions of the present N.A.R. on the eastern side that cannot supply adequate facilities, for the equipment that is travelling over that railroad today. If I may say so, the equipment is old, proportionately weak and light. The passenger train that goes there today was retired from service on the C.P.R. in 1927.

When this railway is complete it will be equipped with diesel locomotives which will take long strings of larger cars; perhaps twice or three times as long, I am really not too sure. The loads and the speeds will be greater. The present railroad has trouble. They may have to drag a train up out of the muskeg. It happens almost daily. They have a schedule but no one really knows when any freight train or even a light passenger train will arrive at its destination. In view of that I ask hon. members, is there any argument about the most feasible route being the western route?

I have taken some time, Mr. Chairman and I know that hon. members on the other side and probably other hon. members may think I have taken too much time. We have been talking about facts, figures and economics but I have heard no one say very much about the people that this railway line will serve. Comparatively speaking, there are a great many people living along the western route and very few living along the eastern route. While it is our duty to consider to the best of our ability all the economic factors, and I think we have, I certainly do not think that as elected representatives of the people we should completely ignore the personal factor.

I live almost at the other end of the province of Alberta but I know people from that portion of the province and have visited some of them. Neighbours of mine have gone to that area of Alberta and are farming there. I know the problems that they have. In view of the fact that there may have been some controversy and argument as to the route that should be followed—I hope there is none at this stage—certainly the personal factor should be given at least equal status with economic considerations. I am happy to be able to say these few words in support of of this project in spite of the fact that the hon. member for Trinity thinks we are taking an unwarranted amount of time, and in spite of all the emphasis on facts and figures I want to leave the thought with hon. members that we must consider the personal element.

The boon to the people can well be imagined. Whether or not there is going to be passenger service there will be a train going up and down the line probably every day or possibly several trains a day. I do not know what the schedule will be. However, it is quite a satisfaction to a backwoodsman in such an area to know that there will be a train going by his door or through his

community and that if he is in trouble or needs certain services those services and that assistance will be available to him.

Mr. Lambert: Mr. Chairman, I could not let this occasion pass without saying a few words in support of the resolution. For some considerable time prior to my entry into public life I supported the principle involved in the construction of this railroad and once I had come to parliament I assisted the hon. member for Peace River and others from the province of Alberta and western Canada generally in convincing the government that we should proceed with the building of the line.

There was some effort on the part of the official opposition to take credit for the idea and its ultimate fruition in the decision to go ahead with this railway. I should like to say, as was indicated quite adequately by the hon. member for Peace River, that this railroad had been a promise that had been dangled before the eyes of the people of the Peace River bloc for a quarter of a century or more but under the present government something was actually done about it.

I recall quite well the history of the Pine Point railroad in the last few years. It was first indicated during the election campaign of 1958 that the government was going to go ahead with this project and in the first speech from the throne thereafter there was an indication that the government was proceeding with the plan.

I would point out to hon. gentlemen opposite, whose knowledge of this area is cursory, that quite a case can be made to support either of the two points of view with respect to where this railroad should go. However, a commission of inquiry was appointed which heard both sides of the question and also served to dispel some rather illusory knowledge and to eradicate from certain circles in Ottawa ideas about the potentialities, conditions and characteristics of the area. May I say that I have travelled through both areas, although I did so some years ago, and have some rough idea as to potential costs.

The commission of inquiry was appointed in 1959 and turned in its report in June of 1960. In line with the majority report the government indicated in the speech from the throne in the fall of 1960 that it would proceed with the construction of the railroad along a particular route. I cannot see how it can be said that there was any undue delay. Any time anyone talks about delay they seem to be critical. I am not limiting my criticism to remarks made by the opposition in chiding the government with delay but am also referring as well to certain newspapers which have taken the government to task. I think they have done so without a true appreciation of all the facts involved. Such a project does not materialize out of thin air. We all know that there had to be a great deal of negotiation between the government, the railroads and the Consolidated Mining and Smelting Company in order to arrive at some plan to finance this program of railroad construction.

The hon. member for Kootenay West requested that this matter should be referred to a committee and that all sorts of people should be called before that committee to satisfy members of the house that various conditions have been met. I would simply refer him to the proceedings of the Manning commission of inquiry. Representatives of the type referred to by the hon. member appeared there, and many more. If the hon. member would take the trouble to read the report, if he would take the trouble to read the submission of the government of the province of British Columbia, he would not make such a request. After all, the government of British Columbia made quite a play so far as this railroad is concerned, and I want to talk about that a little later.

The hon. member believes we should undertake this inquiry. However, when the railroads were built into Chibougamau and Thompson lake, this house was asked to approve expenditures by Canadian National Railways to undertake the construction of these lines. No such request was made by the hon. member for Kootenay West or anyone else to have certain people give this information. With the greatest respect, I would suggest the hon. member should gather together the material that was submitted to the Manning commission which conducted the inquiry into the construction of this railroad.

I feel that this is the first step toward the development of the Northwest Territories. In my opinion Hay River, which is to be developed into a lake port on the south shore of Great Slave lake, is the natural jumping off point for the Northwest Territories. Hay River is served by the Mackenzie highway which gives access from Grimshaw and then goes around the Mackenzie river to Yellowknife. This is the jumping off place for the development of that vast trench of the Mackenzie river all the way down to the Arctic coast. It is true that the development will lessen as one goes farther north. Having spent some time travelling up and down the Mackenzie river as far north as Norman Wells, I have gained a true appreciation of the vast potential that lies in this central trunk of communications.

In so far as this area of northwestern Alberta is concerned—and the same considerations apply to the northeastern part

of British Columbia—I may say that the area has been within the economic ambit of Edmonton. It is for that reason I am speaking on this measure this afternoon. I know that as a member of the Edmonton chamber of commerce I found it difficult to support the chamber's contention that the route of the railway should be the eastern route through Waterways, Alberta. The chamber has known all along that I did not approve of this support. It is a judgment decision and the factors are not 100 per cent one way or 100 per cent the other way. On balance, however, I was of the opinion that the proper route was the western route.

I would repeat that the whole of the Peace river country and the Northwest Territories has lain within the economic ambit of Edmonton. However, the British Columbia government has built the P.G.E. as far as Dawson Creek. I believe it now behooves businessmen and organizations in Edmonton and in northern Alberta to look to their laurels. This area, with its vast potential, cannot be considered to lie easily within the grasp of business concerns and organizations in Alberta. I think, myself, that it would be likely that most of the railroad business that will be developed by this line will be the transportation of ore through Edmonton, to Calgary and out to Trail because that is the easiest and cheapest route. I believe, too, that supplies coming in from eastern Canada and from the manufacturing area of Edmonton and Calgary, will move over this line rather than come over the P.G.E. from Vancouver. However, I feel that competition will be good. It will keep our people in Edmonton on their toes. Certainly, the highway connections between Edmonton and Great Slave lake are far superior to any existing in British Columbia.

Now, in so far as the construction of the line is concerned, may I make a suggestion to the minister. I suggest that rather than make this a "do it yourself" proposition using the consulting engineers and the resources of the railroad, local firms in Alberta and British Columbia should be used. After all, there is a problem of time involved here. It is said the construction will take four years. We know that Consolidated Mining and Smelting is worried about their source of raw materials for the next two or three years. They would like the construction of this railroad expedited as much as possible. If the railway has not got facilities to expedite construction, then they should use outside firms.

For these reasons, Mr. Chairman, I felt that I had to say something about this resolution, and I would commend it to the members of this committee.

Amendment agreed to.

Resolution reported and concurred in.

Mr. Speaker: It being five o'clock the house will now proceed to the consideration of public and private bills, the former having precedence.

AERONAUTICS ACT

AMENDMENT TO PROVIDE CANADIAN AIRCRAFT REGISTRY

Mr. John Drysdale (Burnaby-Richmond) moved the second reading of Bill No. C-37, to amend the Aeronautics Act.

He said: Mr. Speaker, as I rise to speak on Bill No. C-37, I feel it is one of the most important enactments to be brought before the house in the form of a private member's bill. It may appear at first blush, on looking at the actual wording of the bill, that it is exceptionally complex, but I hope in the brief time at my disposal to strip some of the complexities from the bill and indicate very clearly what I think are the most important principles facing the house at this particular time.

Briefly, the objective of this bill is to establish a central aircraft registry, probably in the city of Ottawa, to record title to and charges against Canadian civil aircraft, aircraft engines, propellers and spare parts. Many hon. members are no doubt familiar with the central type of registry covering motor vehicles that we find in many of the provinces. Hon. members from provinces such as British Columbia which operate under the Torrens system of land registry will also be familiar with the central type of land registry. Similarly, the objective of this bill is to apply the concept of a central type of registry to civil aircraft.

What are the reasons for doing this? First of all, when an individual is acquiring an aircraft which may cost $10,000 or more I think the most important thing is that he should be able to obtain clear title to that aircraft. The aircraft has an even greater degree of mobility than is involved in ownership of motor vehicles and, of course, we have a central registry covering motor vehicles.

The difficulty facing any purchaser acquiring an aircraft is first of all to find out where that aircraft has been. It is possible, naturally, for the aircraft to cover almost all the provinces in Canada and there is even a great deal of difficulty when it is in just two or three provinces, because each province has its own method of registering an aircraft and its charges, such as chattel mortgages or conditional sales contracts and agreements.

Some provinces, such as British Columbia, have established a central registry for aircraft. In the case of Ontario and other provinces anybody wishing to register an aircraft would presumably have to search every county court registry in the province to ascertain that there were no charges such as chattel mortgages or conditional sales agreements against the aircraft. The method of registration in a central registry is doubly important in the case of stolen aircraft, because a person could acquire an aircraft that had been stolen and be under the impression that he was obtaining good title. Then when the person who had lost the aircraft found out where it was, he would recover it and presumably the person who bought the aircraft would lose $10,000, or whatever he paid for it, because no doubt the person who sold him the aircraft, would have disappeared.

There is also the possibility of double sale by very smooth talking individuals. I refer to selling the same aircraft twice within a very short period of time. Since there is no central registry system it would be impossible to establish who was the actual owner and presumably there would be interesting litigation as a result of the transaction in order to find out who was the actual owner of the aircraft.

One of the most important matters in this bill is the question of financing. I am relying on my memory, but I think within the last year or two in Canada there has been over $200 million invested in the acquisition of aircraft. In a similar period in the United States the figure is roughly $2.5 billion. In the United States they have had a central aircraft registry since 1938 and I understand from my reading on this subject that their registry has been extremely effective and has done an excellent job.

There have been instances in Canada where people wanted to finance the purchase of aircraft. They have found out that we had no central registry, and the extremely involved procedure necessary in going through the ten provinces, perhaps having to search every county court registry in about half of them and having to search central registries in the remainder, and this has been a very strong factor in discouraging needed financing.

I have endeavoured up to this point, Mr. Speaker, to set out roughly what I think is the objective of this bill and to indicate some of the problems. Perhaps the most obvious question for anybody to ask is: is there any great support for this measure? What is the support behind this piece of legislation? I would first of all like to refer to a resolution passed by the Canadian bar association at their annual convention in 1956. That resolution reads as follows:

> Resolved that appropriate enabling legislation be enacted to establish, as soon as possible, a central Canadian aircraft registry located at Ottawa in order to record title to and all encumbrances against Canadian civil aircraft.

This matter had been discussed by the air law committee of the Canadian bar association at considerable length and as a result of their recommendations and studies the Canadian bar association gave their unanimous endorsement to this proposal. In 1957 the Canadian bar association met at Banff and during their 39th annual meeting in this city another resolution was proposed. This resolution reads:

> Whereas because of the increasing cost of aircraft outside financing is frequently essential and the task of raising the necessary money is rendered difficult by the absence of any central registry of aircraft where title to aircraft and charges and liens thereon can be registered,
>
> Be it resolved that the Canadian bar association again urge the government of Canada to establish such a registry at an early date.

Again, as late as February of this year the Quebec branch of the Canadian bar association gave the following endorsement to my bill:

> Whereas the Quebec subsection of the air law section of the Canadian bar association notes with satisfaction that Bill C-37, relating to the establishment of a central registry for aircraft has been introduced in the House of Commons, under the sponsorship of John A. W. Drysdale, M.P.
>
> And whereas the Canadian bar association has already presented a resolution to the Minister of Justice endorsing the principle of a central registry for aircraft.
>
> Now, therefore, the Quebec branch recommends that the council of the Canadian bar association inform the Minister of Justice of its continued interest in the principle underlying Bill C-37 and suggest to the minister that the said Bill C-37 be referred to the appropriate committee of the House of Commons for further study and report and that the said committee be authorized to request interested persons and organizations to appear before it for the purpose of providing such information relating to the subject matter of the said bill as the committee may deem desirable or necessary.

I have tried, Mr. Speaker, to indicate in detail the interest of people who are active in the legal sphere, who understand the complexity of the situation and understand the effect it is having on aircraft financing and who have on every occasion given their unanimous endorsement to the principle of this bill. I would also say that the British Columbia air law section of the Canadian bar association headed by Mr. Jack Cunningham have also provided me with a great deal of information and support in regard to this bill.

What is the present situation under the air regulations, 1960, of the Aeronautics Act? Section 201 provides:

> The minister shall cause a register of aircraft to be maintained in which shall be registered the

names of the owner or owners of every aircraft registered under this part and such other particulars concerning the aircraft as the minister directs.

There have been the suggestions that this particular section is adequate to meet the situation. However I will point out very briefly that this particular section does nothing to establish the identity of the owner but merely provides that certain material be furnished as to the aircraft. It provides for registration of the name of the alleged owner of the aircraft but there is no certification as to the ownership of the aircraft.

I might mention, incidentally, that there is no provision for the registration of any liens or charges against this particular certificate, so that it does not do what this piece of legislation is trying to do. It might assist the committee if I indicated the provinces that have central registries—British Columbia, Alberta, Saskatchewan and Newfoundland. The provinces which require county court registration are Manitoba, Ontario, New Brunswick and Nova Scotia, Prince Edward Island and Quebec. In Quebec, of course, the situation is a little different, because a chattel mortgage is not recognized in that province, only a mortgage bond by trust deed which is registered in each of the county courts where the mortgagor has a place of business.

What I feel to be the prime objective of this legislation is to have a single central registry in Ottawa to provide for the compulsory registration of the aircraft, engines, propellers and parts. It should be a registry where there could be a very simple and quick search to ascertain the state of the title to the aircraft and find out what liens and charges are registered against the aircraft.

I made some inquiries in connection with the situation in the United States. The aircraft registry in Washington has been operating successfully since 1938. I had hoped to have a firsthand look at their operations when visiting Washington shortly before Easter, but on my arrival I found they had taken the centralizing step themselves and had moved their offices to Oklahoma city. I understand from discussions with some of the officials in Washington that under the United States system in addition to providing a registry indicating the various charges and the ownership of the aircraft they have, in effect, a complete operation and service record of the aircraft so that an individual making inquiries can find out when the engine has been changed or a new propeller acquired or servicing of the aircraft in addition to ownership and all charges. I suggest that if there were similar facilities here in a central aircraft registry in Ottawa they would be invaluable as far as expanding aircraft financing in this country is concerned.

There is some question as to the constitutional situation; in other words, whether or not the establishment of a central aircraft registry would be within the powers of parliament under the British North America Act. Just for the record may I say it seems fairly clear that in the Aeronautics Act of 1932 where the privy council upheld the validity of the Aeronautics Act this establishes without question that this particular act is intra vires the powers of parliament. The recent case in 1952 of Johannesson *v.* Rural Municipality of West St. Paul, I, Supreme Court Reports, 292 lends support to the contention that the protection of security interests is a valid exercise of the powers of the federal government.

In order to confirm this particular viewpoint I engaged in some correspondence with the former minister of transport, now the Minister of Trade and Commerce, and I think it would be extremely helpful if I were to put some of his remarks on the record. I wish to do this at length because, as I have indicated, this matter is of extreme importance to the aircraft industry. It is a most technical matter and I hope that making this information available in the pages of *Hansard* that this will permit the widest possible discussion in the aircraft industry so that we may have both the pros and the cons on this piece of legislation. The letter from the minister of transport is dated April 15, 1959. It reads:

Dear John:

I refer to a previous exchange of correspondence in the matter of the establishment of a central Canadian aircraft registry and in particular to your letter of October 31, 1958, in which the advantages of such a registry to the industry were pointed out.

While it would appear to be within the legislative jurisdiction of parliament to provide for the establishment of a registry for liens and encumbrances on aircraft, the existing provisions of the Aeronautics Act would not authorize the making of such regulations and an amendment to the act thereof would be required for the purpose. The wisdom of doing so, however, is in considerable doubt since I am informed that the registration of encumbrances on chattels generally is a matter coming within the jurisdiction of the provinces and that, in fact, such facilities are provided, by the provinces. It may be, however, that these facilities have not been fully employed in the matter of aircraft conveyance.

A federal aircraft registry is in existence in the United States and its function was recently discussed on an informal basis with responsible federal aviation agency officials in Washington. We were somewhat disappointed to find that the complex, time consuming and expensive procedures established by the federal aviation agency have apparently not achieved the original purpose even though the registry has now been expanded to include the recording of conveyances in respect to aircraft engines and even parts. It is understood

that while banks and other loan houses insist upon recording all conveyances respecting aircraft in which they are involved with the federal aviation agency and that the courts are influenced to some extent by the production of such records, these records have not been generally accepted by the courts as evidence of title to the aircraft. The basic difficulty experienced by the federal aviation agency in respect to aircraft title is that resulting from the routine interchangeability of up to four expensive engines and a very large number of extremely expensive airframe and engine components. You will appreciate that, in these circumstances, it would be virtually impossible to say at any given moment who owned a particular aircraft where liens and encumbrances against the airframe itself, individual engines and certain expensive components are held by a number of different persons. It may be of interest to you to know that 12 separate commercial title-searching agencies have been set up in Washington being concerned only with the search of aircraft titles.

While I intend to keep this matter under continuous review, I am not satisfied that it would be either advisable or profitable to set up a federal registry at this time, but will, of course, welcome any further views you may have in the matter.

I have set forth this letter completely. I have done so very frankly because I wanted to present both sides of the picture. The minister has indicated that the amendment which I have contemplated is within the jurisdiction of parliament. He has also indicated why he does not think such a change could be brought about through regulations. It is for that reason I have brought in an amendment to the act. The minister then went to to question the cost of a central aircraft registry and, also the efficacy of a registry of this kind.

I had already written to the federal aviation agency in the United States and they replied to me on November 4, 1960 dealing with my inquiry as to the cost of operating that agency. I do not wish to leave out the cost factor, which I think to be of importance, but we must keep in perspective the relative size of the central aircraft registry in the United States as compared with such a registry in Canada. The letter is dated November 4, 1960 and it is written by Mr. Robert P. Boyle, associate general counsel, general legal services. It says:

Your letter of October 13, 1960 to the administrator of the federal aviation agency was referred to this office for reply.

In that letter you requested information concerning the establishment of a central aircraft registry in Canada. In answer to your specific questions, may I first point out that the following figures are estimates. The interlocking of other functions within the division of this agency, that handles registrations makes it almost impossible to give the exact costs involved. However, the following is a close approximation of the actual figures involved.

Sixty three persons are employed to perform the registration and recordation functions of this agency. The space required is approximately 9,500 square feet. The annual revenue of this function varies between $190,000 and $215,000. The annual expenditure for support of this function amounts to $350,000.

[Mr. Drysdale.]

Although it operates at a slight loss I would suggest that in view of the tremendous cost presently incurred by anyone ascertaining the actual title to an aircraft in Canada it would be possible for the federal government to operate such a registry on a break-even basis.

The former minister of transport indicated in his letter the difficulty existing in this regard particularly in relation to provincial registration. In approaching this aspect of the problem I wrote a letter to each of the attorneys general of the provinces of Canada which I think sets forth clearly the viewpoint I have been trying to express, and I think it would be of value to hon. members if I read this particular letter into the record, following which I shall make reference to some of the replies I have received. I wrote to the attorneys general under date of April 6, 1961, as follows:

Enclosed please find a copy of Bill No. C-37, which seeks to establish a central aircraft registry for the registration of title to and encumbrances against aircraft, aircraft engines, propellers, appliances and spare parts.

At present each province has its own legislation governing the question of title to and encumbrances against aircraft. The present system has actually prevented aircraft financing because of the multiplicity of registries and the searches required to ascertain the state of the title of aicraft in Canada, particularly if the aircraft has been flown in several or all of the provinces.

I am writing to you because, although it appears to be within the legislative jurisdiction of parliament to provide for the establishment of such a central aircraft registry, in order to make the system effective I think it would require provincial co-operation to the extent that the provinces would require regisration only in the central registry and not under the existing provincial legislation. I would, therefore, appreciate receiving your comments on the principle of the bill and whether or not you would be prepared to give the necessary co-operation to make such legislation effective.

I should point out that the Canadian bar association is already on record with resolutions supporting the principle of a central aircraft registry. The international air transport association also supports the principle of such a registry, and is, in fact, setting up a study group in conjunction with other organizations to bring in recommendations on this matter. The bill is based on the central aircraft registry provisions named in the United States federal aeronautics act.

I should emphasize that, being a private member's bill, the only discussions will be on the principle of the bill on second reading, but I am hopeful that by bringing it forward for public discussion in the house and indicating the amount of support that is behind the creation of such a registry, the government will give more serious consideration to bringing in the necessary legislation for the establishment of such a registry.

It was interesting to go through some of the replies I received, and I am sure the hon. members will be interested in obtaining this information.

I start out in the far west, in my own province of British Columbia, with the letter I received from Mr. Bonner, the attorney general, dated May 8, 1961 which reads as follows:

Further to my secretary's letter of April 25th, I wish to say that the departmental committee has drawn to my attention certain points which I think you might wish to examine in connection with your proposed bill affecting aircraft registry. For example, section 27 of your bill purports to prohibit the operation or navigation of any aircraft that is not eligible for registration, and it appears that to be eligible for registration the aircraft must be owned by a Canadian citizen. The bill has been examined to see whether, for instance, a major American air line might be exempted from that provision, but no such exception has been included.

If you agree with this interpretation, does it truly represent the policy you would wish to see endorsed?

Second, the registration system proposed by the bill establishes no priority between encumbrancers as a result of registration dates. While there is nothing to be criticized with regard to such a system if it is well and widely understood, encumbrancers having registered charges under present provincial systems here may have a valid objection if the protection that they have gained by taking advantage of provincial legislation to be removed because of the establishment of a central registry such as you proposed.

I should like your reaction to these observations before I attempt to discuss the bill with my colleagues.

Mr. Speaker, I think the objections raised in that letter in connection with the second matter are valid. I might say that I hoped to receive this type of reply to my letters. I think however that objection has been effectively answered by referring to a paper presented by Mr. David I. Johnston, a member of the Quebec bar to the annual meeting of the Quebec branch of the Canadian bar association in 1959. That paper is entitled "Some Legal Aspects of Financing Aircraft Purchases," and at page 14 there appears the following statement:

The matter of the seniority inter se of liens and other security interests in aircraft would appear to be a subject for federal legislation once the registry is established. The unsatisfactory alternative would be to leave an area of uncertainty until the courts evolve a priority of liens from the various provincial statutes and precedents.

Then he draws attention to a proposed revision of section 503 of the United States civil aeronautics act establishing the following ranking:

1. Court costs
2. Storage, material men's and repair men's liens
3. Recorded security interests
4. Government tax and penalty liens
5. Unrecorded security interests

As between two liens of the same class, priority would be determined upon a common law time-right basis.

I would suggest such a provision included in the present legislation would clear up the difficulties raised by the attorney general of British Columbia.

The next letter to which I should like to refer is a reply from the Hon. E. Manning, attorney general of the province of Alberta, dated April 24, 1961 which reads as follows:

I am in receipt of your letter of April 6th together with a copy of Bill No. C-37.

In this province as you are no doubt aware, we have a central registry in relation to aircraft which seems to be working out quite satisfactorily.

In so far as this province is concerned, we have had no request for a central aircraft registry applicable to the whole of the dominion and I am not prepared to make any comments on the proposal outlined in Bill No. C-37.

Mr. Speaker, I hope that by drawing the attention of the house to some of the unfavourable as well as the favourable comments that interested individuals in the various provinces will contact the various attorneys general to indicate support for this legislation.

The next reply to which I would like to refer is from the attorney general of Manitoba, the Hon. Sterling R. Lyon dated June 2, 1961, which reads as follows:

I acknowledge receipt of your letter of April 6, 1961, relative to the registration of title to aircraft, etc. I much regret that, due to the fact that your letter was received during the session of the legislature and to pressure of other matters since, I have been unable to reply earlier.

I am personally in accord with your view that any really practicable system of registration of aircraft should be established by act of parliament. I would think, from consideration of the decision of the Supreme Court of Canada in Johannesson v. Rural Municipality of West St. Paul (1952) I, S.C.R. 292, that there is no doubt that parliament, if deemed advisable, may properly enact such legislation.

I agree that to make any such legislation fully effective, it would be necessary to enact complementary provincial legislation forbidding registration of aircraft under provincial statutes. It seems to me that, in so far as Manitoba is concerned, this might be achieved simply by amending the definition of "chattels" in clause (b) of subsection (1) of section 2 of the bills of sale act, so as to exclude aircraft or parts thereof, in a manner similar to that in which ships registered under the Canada Shipping Act or the merchants shipping act, 1894 (Imperial), are excluded.

If the parliament of Canada should pass legislation that appears to me to achieve the purposes mentioned in your letter, I would be prepared to canvass this matter among those interested in our province and, subject to there being reasonable evidence of support among aircraft owners and others affected here, to recommend to the executive council of Manitoba that a bill for the required complementary legislation above mentioned be considered for enactment.

This one is more favourable than those from some of the other attorneys general.

Then we pass on to the province of Ontario. The Hon. Kelso Roberts, the attorney general, wrote to me as follows, and made what I thought was an excellent suggestion.

With reference to your letter of the 6th of April, 1961, which was referred by me on its receipt to Mr. Elliott R. Pepper, Q.C., departmental counsel, for study.

Mr. Pepper in return discussed it with the deputy attorney general and they feel that this is a question which might well be discussed by the uniformity commissioners composed, as you are no doubt aware, of the deputy attorneys general of all provinces and certain other personnel, and which committee meets for one week immediately prior to the week of the Canadian bar association annual meeting. This year the commissioners will be meeting in Regina.

You might consider it advisable to discuss the matter with the Minister of Justice and if you both feel that this procedure is advisable I am sure that the Minister of Justice can arrange to have the matter placed on the agenda for discussion by the commissioners this summer.

I might say for the benefit of the house that I have written such a letter to the Minister of Justice drawing the matter to his attention.

The next reply that I received was from the assistant deputy attorney general of the province of Quebec. In that letter dated April 27, 1961, he wrote to me as follows:

Dear Sir:

I am directed by the honourable the attorney general to acknowledge receipt of your letter of the 6th instant concerning the establishment of a central aircraft registry.

We understand that pursuant to section IV of the Aeronautics Act, the registration of aircrafts is actually a matter of regulations made by the Minister of Transport.

With regard to this particular suggestion, with respect, Mr. Speaker, I must say that I think the former minister of transport has indicated quite clearly that the regulations cannot be utilized to extend them to the extent that the assistant deputy attorney general suggests.

It may seem like this is a political tour of the provinces, but the next letter is from the attorney general of the province of New Brunswick, the Hon. Louis J. Robichaud, who wrote me as follows:

Dear Mr. Drysdale:

I wish to acknowledge with thanks your letter of April 6th enclosing copy of Bill No. C-37, an act to amend the Aeronautics Act.

There is no legislation in this province having specific reference to the title to and encumbrances against aircraft.

I would prefer not to comment on the merits of the bill at this time.

With regard to the other attorneys general, I sent follow-up notes to see if I could get some comments from them because I feel that this particular suggested legislation is sufficiently important to justify a completely thorough review of the assistance their answers would provide.

I should now like to turn very briefly, if I may, to the international aspects of this particular legislation. As I indicated in the explanatory notes to the bill, I was interested in having a central registry to comply with the provisions of the convention on the international recognition of rights in aircraft.

Perhaps, because not all hon. members are familiar with this particular piece of legislation, I should put it in a very brief summary. I would commend to the house the source material which I have used which is an historical survey of the law of flight put out by the institute of air and space law, McGill University, Montreal, 1961.

The objectives are set out on page 38 of this survey as follows:

The general objective of the convention—

This is the one that I have already referred to sometimes called the Geneva convention, or the mortgage convention.

The general objective of this convention is the facilitation of the financing of aircraft employed in international carriage. More specifically, the objectives can be said to be four: the protection of secured creditors who lend money on the security of aircraft; the protection of third parties dealing in or with aircraft against hidden charges; the definition and protection of "privileged" and "priority" claims against aircraft; and the facilitation of the transfer of aircraft from one nationality to another.

To achieve these objectives, the convention could have taken one of two forms. It could have created a standard form of mortgage and transfer for use in all contracting states, having uniform effect in all jurisdictions, or it could have provided for the recognition and enforcement by contracting states of any type of charge created in accordance with the law of the state in which the aircraft is registered as to nationality. Unfortunately, the first solution proved unattainable. The divergence in national conceptions proved too great at the time for an adequate compromise standard to be reached. Thus, the convention became a convention not of unification but of recognition.

An attempt was then made to produce an internationally acceptable form of words to cover all the types of charges on aircraft or, more accurately, rights in aircraft to be recognized by contracting states. This was found to be impossible and so an enumeration of four types of rights was resorted to. These are rights of property in aircraft; rights to acquire aircraft by purchase coupled with possession of the aircraft; rights to possession of aircraft under leases of six months or more; mortgages, hypotheques and similar rights in aircraft which are contractually created as security for payment of an indebtedness.

The United States has ratified this particular convention and I would suggest that it would be in the interest of Canada, first of all giving support and recognition to ICAO, which has its headquarters in Montreal, and also giving support to this particular convention, for it is only by establishing a central registry that we will be in a position to ratify this very important convention.

Perhaps I can close, Mr. Speaker, by summarizing very briefly. There is every indication of a widespread interest in aviation and financial circles for the creation of such an aircraft registry. I have pointed out quite clearly that the federal government has the legislative power, which is backed up by the case law and also by the acknowledgment of the former minister of transport.

I indicated earlier that, so far as the provinces are concerned you should not have the situation of duplicate legislation. Without provincial co-operation, they will be free to insist that the title to mortgages, conditional sales agreements, and so forth, be registered in the provinces in addition to the central registry. I have tried to set up discussion machinery to meet this particular point by communicating with the various attorneys general.

I would recommend, sir, that two or three steps be considered. The first step would be, I think, that there would have to be reference to the uniformity commissioners at the meeting of the deputy attorneys general in Regina to get the necessary support of the various provinces. Perhaps the most effective way of doing this would be for the Minister of Justice or the Minister of Transport to present draft legislation perhaps modeled on the legislation I have already proposed in Bill No. C-37.

Mr. Speaker: Order. I am sorry to interrupt the hon. member but his time has expired.

Hon. Lionel Chevrier (Laurier): Mr. Speaker, I have listened with interest to the sponsor of this bill although I had some difficulty in hearing many of the things he said. I listened with keen interest for a time, and then I got lost when he put on the record so much correspondence between himself and the former minister of transport and then between himself and the attorneys general. I am sure that what I have said thus far will not indicate to him that I am being unfair to the bill.

I have looked at the bill, sir, and I have certain doubts about it which I think should be emphasized to the house at this time. The purpose of Bill No. C-37 as outlined in the explanatory note is to provide a central Canadian aircraft registry, preferably in Ottawa—I think the hon. member said in Ottawa—in order to record title to and all encumbrances against Canadian civil aircraft. Two or three queries come to my mind as I read the explanatory note.

The first has to do with jurisdiction. I have some doubts in my mind whether an enactment of this kind would be intra vires of the parliament of Canada. It is true that the former minister of transport in his letter to the hon. member indicated, I believe, that there was no objection from that standpoint but nevertheless I should like to bring to the attention of the house the fact that in the new section 26(1) the bill deals with (a) any conveyance which affects the title to, or any interest in, any civil aircraft; (b) any lease, and any mortgage, contract of conditional sale or other instrument and (c) any lease, and any mortgage, contract of conditional sale or other instrument, with certain other qualifications. This immediately leads me to the point whether or not this does not invade the field of property and civil rights.

I should like to bring this fact to the attention of the house. At one stage parliament gave the Minister of Transport authority to amend the Aeronautics Act so as to cover the zoning of airports and the zoning regulations had to be drafted very carefully so that they would not impinge in any way upon municipal jurisdiction. In fact, the first draft came very close to that and, if I remember correctly, the regulations had to be redrafted on one if not on two different occasions.

That is what strikes me about this bill as I look at it. In order not to impede the legislation in any way, may I tell the hon. member at once that I have not risen to oppose the bill. I wish to raise certain doubts that are in my mind about its validity.

The first point that I raise is that this is special legislation and legislation of this character should be very carefully worded because, as I said earlier, it might well impinge upon the jurisdiction of the provinces.

Mr. Drysdale: Would the hon. member permit a question?

Mr. Chevrier: Yes.

Mr. Drysdale: Would he agree with the principle of the bill, the establishment of a central registry? I must confess that I am not entirely happy with many of the words myself that involve details but I am interested in whether or not he is in accord with the principle of the legislation.

Mr. Chevrier: I should have liked to come to that a little later but if my friend wants an answer now may I say that I would prefer to take the position taken by the Quebec branch of the Canadian bar association, which my hon. friend seemed to think indicated approval. As I heard him read the recommendation it was to the effect that the Quebec branch of the Canadian bar association recommends continuing interest in this bill and further recommends that it be referred to the appropriate committee for study, or words to that effect. I can see absolutely nothing the matter with that kind of resolution and I would go all the way in supporting it.

Mr. Drysdale: May I draw the attention of the hon. member to the fact that they did not disapprove of the principle of a central aircraft registry. They may have had some reservations as to the wording of the

bill, which was taken, quite frankly, from the United States legislation, but they did not disapprove of the principle.

Mr. Chevrier: I would not even want to go that far until I knew more about the position, and I will tell the hon. member why. If it is so, as I fear, that the bill might be an impingement upon the right of a province to have registered within the province a conveyance, a chattel mortgage, although as the hon. member rightly said there are no chattel mortgages in the province of Quebec, a lease, a mortgage and so on, I would not in that event give the bill approval in principle.

That is why I think we should have two things so far as this bill is concerned. First, as is customary we should have the opinion of the minister. What does the Minister of Transport (Mr. Balcer) think about this legislation? Second, we should be informed whether or not the Minister of Transport has submitted the bill to the Department of Justice to ascertain whether or not it is an infringement of property and civil rights.

When the hon. member posed his question I was going to discuss another matter, the ability or facility of the Department of Transport to administer legislation of this kind. Can it be done? Can it be done easily or can it be done only with great difficulty? These are questions on which I think we require enlightenment from the Department of Transport.

Mr. Drysdale: Would the hon. member permit a question?

Mr. Chevrier: Yes.

Mr. Drysdale: Does he feel that there would be more difficulty in the administration of this legislation than with regard to the present shipping registry provisions which are under the Department of Transport?

Mr. Chevrier: I think there would be a great deal more than in the case of the present shipping registration.

Mr. Drysdale: Why?

Mr. Chevrier: I do not see any difficulty with regard to the present shipping registry. During all the time that I was on that side of the house acting in the capacity of the present Minister of Transport I never had any complaint so far as the registry of ships was concerned. There may have been some since. After having looked at these various sections, particularly 26 and 27, I think there would likely be greater difficulty in administration. I am not saying that it is not feasible or possible. What I am saying is that on the face of the bill and without knowing more about it than I do it would strike me that it would be rather difficult to administer this kind of legislation.

All these doubts might disappear if the bill were referred to a committee for study and the committee heard evidence from the various persons concerned, particularly from the officials of the Department of Transport. I should like to know what the officials, particularly the legal advisers and the heads of the various aviation divisions of the department, think about this legislation.

I would not want the hon. member to feel that I rose for the purpose of opposing the bill because I know he has put a lot of time and effort into its preparation. That can be seen from the lengthy correspondence which he put on the record and which it will be possible to read carefully tomorrow or later. But before giving my support to the bill, and I speak now only for myself, I would want to know, first, whether it is intra vires of the parliament of Canada, second, whether it can be easily administered and, third, whether it is special legislation. In order to get answers to these three questions I think the minister should be here to tell us how he and those with whom he is associated in the department view this legislation. Until then I would rather reserve my comments.

Mr. Drysdale: May I ask the hon. gentleman one question before he sits down, and that is in connection with the question of the legislation being intra vires the powers of parliament?

Mr. Chevrier: Yes.

Mr. Drysdale: The former minister of transport, as I indicated, had received an opinion from the justice department indicating that this was intra vires the powers of the federal government. In addition, I might also say to the hon. member that all the authorities that I have seen that have been actively associated with the field of air law and interested in this particular type of legislation, have given the opinion based on these two cases that it was intra vires. I wonder if the hon. member has any specific instances going in the contrary direction because if there are it would be helpful to know about them in overcoming this difficulty. I have not seen any, and I was wondering if the hon. member had seen any.

Mr. Chevrier: Dealing first with the former minister's opinion, it is my belief the minister was giving his personal opinion only to the hon. member who introduced this bill. He was not speaking as the minister for the department. While he did say that he had consulted his officers, I think the proper method by which to obtain an opinion as to

whether legislation is intra vires of parliament is to get it from the Department of Justice. This, the minister did not do.

Mr. Drysdale: I want to correct that statement. The minister did obtain an opinion from the Department of Justice, and then passed on that opinion in his letter. He had obtained it from the Department of Justice because I had raised the question in previous correspondence.

Mr. Chevrier: I had not understood that to be the case as the hon. member read his letter. However, I shall read the letter tomorrow. None the less, I think we should have a repetition of that statement by the present minister because, after all, the former minister is no longer the minister and no longer responsible for the administration of the department.

The hon. member wanted to know if I knew of any case in which there was some doubt or hesitation about a matter such as this, because, after all, we could probably conciliate the two views. Yes, I do, and I did mention it a moment ago in connection with the zoning regulations. The zoning regulations came very nearly to impinging on provincial jurisdiction. I say now that these had to be drafted and redrafted on several occasions because as they were worded and as they were drafted in the first instance they seemed to many of us who were lawyers to be an infringement of provincial jurisdiction. This is the question mark I have in my mind at the moment, that this might well be an impingement upon the rights of the provinces in the field of property and civil rights.

As a result of the doubt which I have in my mind, and which with all respect to the former minister of transport, I still have, I raised these queries and thought that perhaps the best thing to do under the circumstances would be to refer the bill to a committee where the officers of the department as well as the Department of Justice could give their views on the validity of the legislation.

Mr. E. J. Broome (Vancouver South): Mr. Speaker, in the few minutes that are left I should like to place a few of my views on the record. I listened most intently to the hon. member for Burnaby-Richmond (Mr. Drysdale). He is certainly to be congratulated upon having done a monumental job. If it had not been for the rules of the house I think he would have achieved an even more monumental accomplishment by talking out his own bill. He has given a true evaluation of this bill in that he has said it is the most important enactment to be brought before this house as a private member's bill. I will agree with him, perhaps, with the exception of three or four bills which stand in my name.

It may be that the information he has put on the record, not only as a result of his own research but also the letters directed to the various attorneys general of the provinces with whom he has corresponded, will give valuable information to the Department of Transport and the Department of Justice. I must confess, Mr. Speaker, that I have not the faintest idea which particular department should look after this matter. However, whichever department does, there will be information on the record for their guidance. I was rather struck by the extent to which an hon. member will go in trying to bring out points in favour of his bill. I do recognize, Mr. Speaker, that I seconded this bill but I did so only for the purpose of bringing it before the house. I did not want the house to act in the same manner as the other place where hon. members' bills have died because no one would bring them before the other place. I think every member has a right to have his bill come before the house at the proper time and receive full consideration.

The hon. member made a great point of the mobility of airplanes. He did point out that we have registries in the various provinces for motor vehicles. Not being a lawyer, I somehow assumed the motorcar to be almost equal in mobility to that of the airplane, that what would apply to one vehicle would apply to the other. He also pointed out the dollar value of the sales of airplanes, some $200 million in Canada. He said he was relying on his memory for this figure, but it does seem to be a good, round sum. However, I would suspect that the greater part of it is made up of sales of commercial airplanes. I cannot see anybody running away with a Viscount or a DC-8. It seems to me that if you took out the sales of commercial planes, this figure would drop down to a point where, although not insignificant, it would not be of the major importance the hon. member has tried to make it appear.

Mr. Drysdale: It includes commercial aircraft.

Mr. Broome: That is what I say; a central registry of commercial aircraft is not going to be of much value—

Mr. Speaker: Order; I am sorry to interrupt the hon. member but it is my duty to do so, it being six o'clock.

BUSINESS OF THE HOUSE

Mr. Chevrier: Mr. Speaker, before asking the minister for the business of the house, I should like to remind him that he has been

asking those of us who sit on this side for co-operation in the last few days, and even for some time prior to that. We have been giving it to him. I should like to suggest to him that it would be much easier for all concerned if he could indicate clearly what the business of the house is going to be, what the government proposes to do tomorrow and for the whole of next week as well.

Mr. Churchill: I appreciate, Mr. Speaker, that there is a general desire to expedite the business of the house at this time of year. However, it has not been possible to get full agreement on all matters. There has been an understandable difference of opinion between this side of the house and the other side as to what should be proceeded with on a particular day.

However, it is fairly clear now that if it is the desire of the house to adjourn soon and reassemble later in the fall, certain matters should be completed within the next few days if at all possible so that we leave things in good order during a short recess.

Under the circumstances, we intend tomorrow, Saturday, to take the estimates of the departments of public works, forestry, defence production and health and welfare. If good progress is made with these departments, we could make a start on national revenue.

On Monday and Tuesday we have available for consideration Bill No. C-92 which has come back from the Senate with a proposed amendment. That is the capital murder bill. Then the Excise Act, the Customs Tariff Act, the Industrial Development Bank Act, the Excise Tax Act and the C.N.R. financing resolution to be followed by an appropriation bill.

Mr. Benidickson: Those latter items have not come from the Senate?

Mr. Churchill: No, just the first one that I mentioned. On the order paper there is also the Civil Service Act with which the house might wish to deal in view of the lengthy discussion it has had in committee. Then there is the Bank of Canada Act to be considered, the Customs Tariff Act which has been returned from the Senate—that is Bill No. C-72—and the final act following the budget, the Income Tax Act. Then there would be some supplementary estimates and interim supply to be considered before an adjournment.

Mr. Benidickson: It looks like September.

Mr. Churchill: There is a possibility of the dominion-provincial tax sharing arrangements resolution being considered by the house, if it is agreeable.

I will announce tomorrow the exact order of those items on Monday and Tuesday, but of those items there is one, the Bank of Canada Act, which will definitely come up on Tuesday. That is the business, Mr. Speaker.

Mr. Chevrier: Mr. Speaker, the house leader will remember that the Prime Minister has repeatedly stated that estimates would not be taken up on Saturday.

Mr. Churchill: No.

Mr. Benidickson: The house leader said that last night.

Mr. Chevrier: When there was a discussion of the motion to extend the hours it was clearly stated that we would not have estimates on Saturday, and again last night. The question was put to the house leader by the hon. member for Bonavista-Twillingate as reported at page 7298 of *Hansard*:

> Would the minister say whether this program will go on for Saturday as well or could he indicate what would be happening on Saturday?
>
> Mr. Benidickson: Will estimates be taken on Saturday?
>
> Mr. Churchill: No—

An hon. Member: That was last night.

Mr. Chevrier: That is a categorical statement that estimates would not be taken on Saturday.

Mr. Benidickson: I didn't think so, at this late stage of the session.

Mr. Chevrier: There are a number of matters which could be disposed of and in which the opposition would be quite willing to co-operate in so far as legislation is concerned. The house leader mentioned the agreement—

Mr. Churchill: Mr. Speaker, I think a word of explanation is required. When I said last night that estimates would not be taken up on Saturday I was under the impression at that time that we would be able to go ahead with certain of the bills following the budget. But there was no agreement to that course whatsoever when the discussion was held this morning.

The second point is that on April 24 when the Prime Minister was discussing the lengthening of the hours he made a definite commitment which I should have remembered at that time. The Prime Minister said that Saturdays would be set aside for dealing with the supply of various departments. These are his exact words, as reported at page 3928 of *Hansard*:

> On Saturdays various departments could be dealt with. I would not want to see controversial measures dealt with on Saturdays—

In view of that commitment, it seems wise to proceed with the discussion of estimates tomorrow.

Mr. Pearson: Mr. Speaker, will the house leader not consider the advisability of proceeding tomorrow with a bill of immediate urgency and importance, the Bank of Canada Act, so that we can deal with that at once, because the Minister of Finance stressed last Monday how important it is to get this through with a minimum of delay; that it involved what he called a crisis.

Mr. Churchill: I can understand the desire of the opposition to proceed with that particular bill. I wish they had shown the same desire with regard to the bills that followed the budget and we perhaps might have come to some agreement with regard to a legislative program on Saturday.

Mr. Pickersgill: We did.

Mr. Churchill: That agreement was not reached and therefore I think we had better keep to the commitment made by the Prime Minister on April 24 to reserve Saturdays for the discussion of estimates.

Mr. Pickersgill: Mr. Speaker, on a question of privilege, I asked for the business of the house last night and I clearly understood that the minister gave us an assurance that the estimates would not be taken on Saturday. There was no qualification of that whatsoever. When the hon. member for Kenora-Rainy River asked: "Will estimates be taken on Saturday?" the minister said, "No", and he made no qualification of that.

Mr. Benidickson: And he referred to interim supply for a two-month period.

Mr. Pickersgill: I might add that when the Prime Minister asked for our co-operation last Monday he indicated clearly what measures would have to be passed before we adjourned, and he did not include any estimates in that group. This is a repudiation both of what the Prime Minister said on Monday and of the express word of the house leader given to me last night.

Mr. Herridge: Mr. Speaker—

Mr. Churchill: Mr. Speaker—

Mr. Speaker: Order. I think the hon. member for Kootenay West should speak before the minister.

Mr. Herridge: Mr. Speaker, I support wholeheartedly the proposal made by the Leader of the Opposition and the remarks made by the hon. member for Bonavista-Twillingate. In this respect we are two parties with one objective, to conclude the work of this session as soon as possible.

Mr. Benidickson: This government is leaderless. They have not even got their bills before us on tax matters.

An hon. Member: Nonsense.

Mr. Churchill: In the opinion of certain members of the young Liberals association it may soon be one party. What I said yesterday was this:

> The intention will be to complete, in so far as we can, the resolutions and the bills following the budget.

That was for today:

> If the house passes the resolutions tomorrow,—

That is, Friday:

> —as has now been indicated, then of course, I think the bills would normally follow on Saturday.

Mr. Pickersgill: Read the rest of it.

Mr. Churchill: It was then that the hon. member for Bonavista-Twillingate raised a very serious objection, and I said after he raised this objection:

> —and the bills on Monday?

That was apparently what he wanted, whereas we wanted to have the tax bills on Saturday. Without the agreement that is necessary we might just as well follow the course that has been followed now for the last several weeks and keep to the commitment made on April 24 that estimates be taken on Saturday.

Mr. Martin (Essex East): Mr. Speaker, in view of the importance of this measure and the attempt we are all making to finish the business of the session at this stage, I ask the Minister of Finance does he not think, in view of the statements he has made regarding the importance of the Bank of Canada Act, that he owes to the house and to the country an explanation for the postponement that he and the government have authorized with regard to this matter? This puts the minister in a most humiliating position and he owes the nation an explanation.

Mr. Speaker: It seems to me that the discussion of the business of the house is now taking the form of a debate. If the Minister of Finance does not wish to reply, I will leave the chair and adjourn the house.

Mr. Benidickson: Just a big majority steamrolling; that is all it is.

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

Questions

ANSWERS TO QUESTIONS

The following answers, deposited with the Clerk of the house, are printed in the official report of debates pursuant to standing order 39:

FLOUR GIFT TO CHILE, 1960

Question No. 255—**Mr. Argue:**

1. Was Canadian flour made available free of charge to the government of Chile in 1960 for the relief of disaster victims?
2. If so: (a) what was the amount involved? (b) what was the total cost to Canada?
3. Have any reports been noted by the Canadian embassy in Chile to the effect that: (a) this flour was being trafficked for political purposes instead of being given free to disaster victims; (b) a prominent Chilean politician has been arrested for allegedly dealing in Canadian flour?
4. If so, has the Canadian government made any representations?
5. If so, what are their nature?

Answer by: **Hon. Howard C. Green (Secretary of State for External Affairs):**

1. Yes.

2. (a) 9,832 long tons. (b) $999,864.48.

3. (a) There were such reports in some newspapers but to the best of our knowledge they are not accurate and were refuted by the government. (b) It has been reported that Mr. S. C. Gonzales was arrested for falsely accusing the government of malpractice.

4. No.

5. Not applicable.

M. C. CAIN FOODS COMPANY—INDUSTRIAL DEVELOPMENT BANK LOAN

Question No. 275—**Mr. Herridge:**

1. Has the M. C. Cain Foods Company, Limited, of East Florenceville, N.B., obtained a loan from the industrial development bank?
2. If so: (a) when (b) what amount (c) under what terms of repayment (d) what is the present status of this loan?

Answer by: **Hon. Donald M. Fleming (Minister of Finance):**

1 and 2. It is contrary to public policy to reveal information regarding individual loans.

HOUSE OF COMMONS

Saturday, July 1, 1961

The house met at 11 a.m.

DOMINION DAY

94TH ANNIVERSARY OF CONFEDERATION

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, on this Dominion day, the 94th anniversary of founding the nation, before we proceed with consideration of today's business may I invite hon. members to pause and pay tribute to the fathers of confederation whose faith and prophetic insight brought this nation into being?

Federation was a prerequisite to the national development of Canada, and the maintenance of national unity remains the key to its destiny. I know there are some who feel a sense of embarrassment in expressing pride in their nation, perhaps because of the fear that they might be considered old fashioned or parochial. I do not belong to that group. I realize that a warped and twisted nationalism is productive of tyranny and war, but that a healthy loyalty and devotion to one's country constitutes a most fruitful inspiration in life.

While our nation had its beginning in two great races today we can take pride in the fact it is now the debtor to many ethnic groups. Six years from today we shall be observing the centennial of confederation. I think it is timely that on today's *Votes and Proceedings* notice is given of a resolution to precede a bill respecting observance of the centennial, to authorize the establishment of a national centennial administration in cooperative form, to plan and prepare projects and programs to be undertaken by the government of Canada in order to mark the centennial, and to provide also for the establishment of a national conference on the centennial which will constitute a forum for consideration by both governmental and non-governmental representatives.

Today in celebrating this day by carrying on our duties as public servants we do our part to help achieve the highest ideals of the fathers who made this nation possible. After the Leader of the Opposition and a representative of the third party have spoken their words regarding this day, I suggest that the house then rise and sing *O Canada* and *God Save the Queen.*

Hon. L. B. Pearson (Leader of the Opposition): I am sure there is no one in this house who has any fear or hesitation in expressing his pride in our country in its growth and development in the last 94 years. I am sure we all feel that a healthy nationalism is the foundation of that growth and development. This is our 94th birthday. It reminds us, as the Prime Minister pointed out, that in six years we shall be celebrating our centennial. Our country is growing older in years and I hope in wisdom and maturity as well. This is the day of the year when we assess the past and, if we are wise, in terms of the present and of the future. We can take pride in that past and from it resolve to play our part so as to make the future worthy of it and of those great men whom we honour today who founded and helped to build our nation.

We must then work together, as indeed we are working here in parliament today, on Dominion day, to do our part to make our country great in strength and unity, a unity which is not uniformity or centralization and a strength which is more than gross national production.

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, being somewhat of an ancient in years I am inclined to think of the past on these occasions. Looking at the Secretary of State for External Affairs (Mr. Green) I recall very vividly that 47 years ago he and I celebrated July 1 in a little village in my constituency known as Nakusp, on the occasion of the opening of the Nakusp-Kaslo railroad. Forty-four years ago today I was in a hospital after being knocked about a bit, and that was the first occasion that I was particularly conscious of my pride in being a Canadian. I suppose it was principally on account of being away from Canada at that time and its associations.

Today the great majority of Canadians will celebrate Dominion day as our national holiday. We trust they all enjoy themselves. However, on behalf of this group I do want to say we are of the opinion that we are not setting a good example in the recognition of this national holiday by parliament sitting today; not because we would not be willing to sit and undertake the business of the country, but we think in the first instance it is a poor example, and in the second instance it is unfair to the staff of parliament. I trust that in future years this matter will receive

serious consideration, so that all Canadians will have the opportunity to celebrate Dominion day.

Whereupon the members of the house rose and sang *O Canada* and *God Save the Queen.*

SUPPLEMENTARY ESTIMATES

A message from His Excellency the Governor General transmitting supplementary estimates for the financial year ending March 31, 1962, was presented by Hon. Donald M. Fleming (Minister of Finance), read by Mr. Speaker to the house, and referred to the committee of supply.

PUBLIC ACCOUNTS

Fifth report of standing committee on public accounts—Mr. Macnaughton.

EXTERNAL AFFAIRS

KUWAIT—STATEMENT ON ACTION BEING TAKEN BY U.K. GOVERNMENT

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, the house will have heard news reports of the latest developments in Kuwait. This potentially serious situation has arisen as a result of the claim of Iraq that Kuwait forms part of the territory of Iraq. This claim, of course, is contested by the government of Kuwait, which is a sovereign and independent state and which, in order to safeguard its security and independence, has requested assistance from the United Kingdom government under an agreement concluded between the two countries on June 19, the date on which the former treaty of protection ceased to have effect.

Prime Minister Macmillan has been in touch with me and has explained the circumstances in which the United Kingdom government has felt obliged to honour its commitment to the ruler of Kuwait by acceding to his appeal for assistance. He has informed me of the steps which the United Kingdom government is taking, and also that a report on these steps is being made to the United Nations at once. Indeed, the government of the United Kingdom has asked that the security council be convened today. Mr. Macmillan has made it clear that the purpose of the action taken is to discourage any attempt to interfere with the sovereignty and independence of Kuwait.

Early this morning I sent word to the Prime Minister of the United Kingdom that in the difficult circumstances of this situation I believed that he could not have done otherwise than respond to the appeal of the ruler, and welcomed the United Kingdom government's action in reporting to the United Nations the steps which it is taking. I also assured him that our representatives at the United Nations would do their best to be of assistance in any way open to them in that organization.

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, the Prime Minister has rightly referred to this situation as a serious one. Indeed, it is a threat to peace. I suggest that the principle upon which action should be based is the principle embodied in the charter of the United Nations. This is more than a principle; it is an obligation on all of us to resist collectively any aggression wherever it may appear. I hope this resistance will not be required because I hope no such aggression will take place.

It is good to hear from the Prime Minister that the matter has been referred to the United Nations, and we on this side certainly support the stand that has been taken by Canada in reply to the message received from the Prime Minister of the United Kingdom.

Mr. H. W. Herridge (Kootenay West): The members of this group are particularly glad and interested to know that the Prime Minister of Canada is being kept informed by the Prime Minister of Great Britain with regard to this serious situation. We appreciate the Prime Minister informing the house of developments at the first opportunity. We are glad to know of Canada's co-operation, concern and interest, and also that the matter has been referred to the United Nations.

CANADA COUNCIL

TABLING OF ANNUAL REPORT

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, I should like to table the annual report of the Canada Council for 1960-61, in English. I am informed by the director of the Canada Council that the French copy is not yet available. He states, among other things, that he had hoped the French version would be available when the tabling of the report took place. He offers no criticism whatever of the translation bureau and merely assumes that the pressure of work there has made it impossible to get the report translated. As soon as the French version is available it will be tabled.

FREIGHT RATES

TABLING OF ORDER IN COUNCIL SUSPENDING INCREASES ON GRAIN

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, I should like to table order in council No. 1961-958, dated yesterday, which continues until December 31 of this year the action of the order in council

passed in March of this year suspending increase on freight rates on grain for export shipped by rail from Georgian bay and related ports to Quebec and maritime ports.

Increases in these "at and east rates", as they are called, were originally filed by the railways to take effect at the beginning of this year. The board of transport commissioners deferred the effective date of the increases by their order No. 103860 of February 23, and reduced the amount of such increases. Appeals against these increases were made both by eastern and western interests affected. The government deferred the coming into effect of the increased rates pending consideration of these appeals, and gave the railways an opportunity to answer the arguments of the appellants.

The government has now decided that a further deferment of the coming into effect of these rates is required in the public interest. In the meantime further study will be given to the rather complicated arguments involved, and account will be taken of other influences now affecting freight rates.

EXCISE TAX ACT

Hon. Donald M. Fleming (Minister of Finance) moved for leave to introduce Bill No. C-118, to amend the Excise Tax Act.

He said: Pursuant to the resolutions which were reported out of the committee of ways and means yesterday and adopted by the house, I ask leave to introduce a bill to amend the Excise Tax Act.

Motion agreed to and bill read the first time.

BUSINESS OF THE HOUSE

PINE POINT RAILWAY—REQUEST FOR INTRODUCTION OF BILL

Hon. Lionel Chevrier (Laurier): May I ask the house leader whether we might have first reading of the Pine Point railway bill so we may be in a position to study it during the week end?

Hon. Gordon Churchill (Minister of Veterans Affairs): I was not certain that the hon. member for Laurier wanted to proceed so rapidly with the Pine Point railway legislation, but we will take his suggestion into consideration.

Mr. Chevrier: Could we get it so we could spend the rest of the day and Sunday on it?

Mr. Churchill: I am sure the hon. member will spend the rest of the day and Sunday in other ways.

Mr. Pickersgill: The bill is not drafted yet.

Mr. Chevrier: Where is the bill?

[*Later:*]

On the orders of the day:

Hon. Lionel Chevrier (Laurier): May I direct a question to the leader of the house, and ask him if the Pine Point railway bill is, in effect, ready?

Hon. Gordon Churchill (Minister of Veterans Affairs): With regard to all bills the practice is to present them at the time the government decides it is proper to present them. That will be done and it applies with respect to the Pine Point railway bill and any other bill to come before the house.

Mr. Chevrier: Then could I ask the Prime Minister whether the agreement referred to in the resolution which appeared on the order paper yesterday among the Canadian National Railways, the Consolidated Mining and Smelting Company of Canada and the Pine Point Mines Limited has been negotiated and signed by the parties involved in this bill.

Mr. Churchill: This question might have been asked yesterday when the Minister of Transport was here. Perhaps the matter could be raised later when the Minister of Transport is present.

Mr. Pickersgill: Does the government not know?

Mr. Chevrier: Surely the Prime Minister ought to be in a position to know whether the agreement has been negotiated, because I presume the resolution was based on the agreement.

Some hon. Members: Order.

Mr. Speaker: Order. The hon. member is rising to complain about the sufficiency of the answer, which is not in accordance with the practice.

Mr. Chevrier: Well, Mr. Speaker, I should like to bring to your attention that this is a matter of privilege affecting all hon. members, namely whether or not the resolution which was discussed yesterday was based upon an agreement. I think the house is entitled to know as a matter of privilege whether the resolution was introduced in the house (1) before the bill was ready and (2) before the agreement between the parties was signed.

Mr. Speaker: I do not think a question of privilege is raised. Undoubtedly the hon. member is correct in saying that the house is entitled to know, in the regular way, but it does not seem to me that a matter of privilege is raised.

Hon. Paul Martin (Essex East): Surely an hon. member is entitled to ascertain from the government whether or not its legislation is ready.

Mr. Speaker: That question has been answered.

Mr. Martin (Essex East): It has been raised but not fully dealt with. My hon. friend is entitled to ask whether the legislation is ready. If the government says the legislation is not ready then, of course, the opposition is entitled to draw its conclusions. We can only conclude that the legislation is not ready, and this is a further indication—

Some hon. Members: Order.

Mr. Speaker: Order. The hon. member is entitled to draw whatever conclusions he wishes, but he is not entitled to complain about the sufficiency of the answer, or to debate it.

NATIONAL REVENUE

MONTREAL—VISIT BY INSPECTOR TO JEAN TALON HOSPITAL

On the orders of the day:

Hon. Lionel Chevrier (Laurier): Mr. Speaker, yesterday I rose on a question of privilege and suggested that the Acting Minister of National Revenue make a full statement giving the house all the information which the law permitted him to give in connection with the visit of one of his inspectors to the Jean Talon hospital in Montreal relative to the Courtemanche matter. I wonder whether the minister is now in a position to make a statement.

Hon. J. W. Monteith (Acting Minister of National Revenue): I made a complete statement to the house, Mr. Speaker, yesterday and the day before yesterday.

Mr. Chevrier: In that case I should like to direct a question to the minister and it is this. The minister told us yesterday and prior thereto that one inspector had gone to visit the hospital. However, the evidence is that two inspectors were sent. Is that a fact? If so, why were two inspectors sent?

Mr. Monteith (Perth): Mr. Speaker, I said an inspector made a visit to the hospital. As I understand it, there had been an inspector at one stage and a subsequent visit by another. This happens in many businesses. It is just routine procedure.

Some hon. Members: Oh, oh.

Mr. Chevrier: Can the minister give the name of the additional inspector or officer of the department who visited the hospital?

[Mr. Speaker.]

Mr. Monteith (Perth): I do not know the name of the other inspector at the moment, Mr. Speaker.

POST OFFICE DEPARTMENT

POPULARITY OF ARTHUR MEIGHEN COMMEMORATIVE STAMP

On the orders of the day:

Mr. Georges Valade (St. Mary): Mr. Speaker, I should like to address a question to the Postmaster General. Will the minister inform the house whether there is any truth in a statement that appears in this morning's Montreal *Gazette* to the effect that the Arthur Meighen commemorative stamp is less popular than are other stamps in that class?

Hon. W. M. Hamilton (Postmaster General): Mr. Speaker, the purchase of any commemorative stamp is resisted by a percentage of our patrons. In the past I have referred to them as the dry tongue group, because they find the commemorative stamps usually are larger in size and somewhat more difficult to lick, and they prefer to use the normal queen size stamps. We therefore have some patrons who prefer not to purchase any commemorative stamp that is issued.

I inquired this morning after the newspaper story appeared; that was the first indication I had. In this particular case there is absolutely no evidence whatsoever that this stamp has been less popular than any other commemorative stamp that we have issued. As a matter of fact, those who are expert in the field of aesthetics have generally felt that this particular issue was the best of all the prime minister commemoratives we have done in so far as design and execution were concerned.

CUSTOMS TARIFF

NOTICE OF AMENDMENT RESPECTING LAUNDRY BLEACH

On the orders of the day:

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, may I draw one matter to the attention of the house. It has been my practice in connection with budget resolutions and bills to give the house as much notice as possible of any amendments that may be introduced. Hon. members may have observed that in the *Votes and Proceedings* for June 30, available this morning, I have given notice of a resolution to amend the schedule to Bill No. C-116 to amend the Customs Tariff. May I advise hon. members that this is the matter to which I referred in the budget speech at page 6654, where I stated as follows:

I might add that at the committee stage I hope to be in a position to introduce a supplementary

resolution relating to sodium hypochlorite laundry bleach. This product was reclassified in consequence of a recent supreme court decision. However it would seem appropriate to restore and maintain the former rates of duty pending a report by the tariff board on this and other products included in the chemical reference. Accordingly we have initiated negotiations on the matter under the "special circumstances" clause of the GATT, and I expect that these negotiations will be completed in the very near future.

The bill was reported out of the committee at noon yesterday. I received a telegram yesterday afternoon notifying me of the conclusion of the GATT negotiations. That is the reason I at once gave notice, now produced in *Votes and Proceedings*, of the amendment which will ensue as a result of the conclusion of these GATT negotiations, and the consequent amendment of Bill No. C-116 which is standing for second reading.

AGRICULTURE

REQUEST FOR REPORT ON CROP CONDITIONS IN WESTERN CANADA

On the orders of the day:

Mr. S. J. Korchinski (Mackenzie): I have a question for the Minister of Agriculture, Mr. Speaker. In view of the welcome report of rain in the prairie provinces, I wonder if the minister could bring us up to date with regard to any recent developments in that region, particularly as to whether there has been any appreciable change in the crop situation having regard to that report. Could the minister tell us, further, whether he has any plans for meetings with provincial ministers to discuss the fodder situation on the prairies?

Hon. Alvin Hamilton (Minister of Agriculture): I think everyone in Canada will be pleased to hear that there has been some rain in western Canada in the last 24 hours. These rains were due to a stationary front over most of the northern part of the three prairie provinces. The southern parts of the provinces have not benefited to the same degree. There have been showers, and rainfall between .1 inch and .5 inch have been registered. This will mean that the pastures will be revived to some degree, and brings the hope that the crops can hang on for a few more days during which time further rain may come.

The three agriculture ministers of the prairie provinces and I will be meeting in Winnipeg tomorrow to work out details of a series of programs which we have in mind in case the situation should deteriorate to a disastrous extent.

[*Later:*]

Mr. Korchinski: In view of the reply given by the Minister of Agriculture to my earlier question I wonder if I might direct a question to the Prime Minister. In view of the indication that certain areas have not received their share of rain I wonder whether the government has given consideration to making another acreage payment to the prairie farmers.

Right Hon. J. G. Diefenbaker (Prime Minister): Matters of government policy are not announced in anwer to questions on orders of the day, but in due course and at the appropriate time a statement in this connection may be made.

REPORTED FORECAST BY OFFICIALS OF DEPARTMENT

On the orders of the day:

Hon. Paul Martin (Essex East): May I ask the Minister of Agriculture a question based on a report of Merrill W. Menzies, grain policy adviser to the Minister of Agriculture, and Frank Shefrin of the department's economic division? Has the minister seen the report which these two gentlemen have made to the effect that Canadian agriculture is in for hard times during the next ten years? Further, does this report represent the doom and gloom policy of the Department of Agriculture?

Hon. Alvin Hamilton (Minister of Agriculture): I have not seen the report, but I certainly knew of the material which would have gone into it. I think I could point out one very simple difference between this government and the previous government. This government makes up its mind to tell the farmers the truth, and does not continue a policy of deluding them into believing that everything is fine. In pursuance of this policy of telling farmers the truth we have started on a program—

Some hon. Members: Order.

TRANS-CANADA AIR LINES

REQUEST FOR REPORT ON LABOUR DISPUTE

On the orders of the day:

Mr. Frank Howard (Skeena): I wonder if I could direct a question to the Acting Minister of Labour, or else to the Prime Minister, or to one of the other hon. gentlemen who may have knowledge of the subject. Could any information be given to the house with respect to the announced collapse of negotiations between the air line flight attendants association and Trans-Canada Air Lines yesterday or the day before?

Hon. Ellen L. Fairclough (Acting Minister of Labour): I shall take the question as notice and secure an answer for the hon. member.

Inquiries of the Ministry

PUBLIC SERVICE

QUEBEC—REPORTED KICKBACKS TO FEDERAL EMPLOYEE

On the orders of the day:

Mr. J. P. Deschatelets (Maisonneuve-Rosemont): I should like to address a question to the Prime Minister. Has the attention of the Prime Minister been drawn to evidence given before the Salvas commission that a federal civil servant was in receipt of kickbacks? If so, does he propose to take any action in this matter?

Right Hon. J. G. Diefenbaker (Prime Minister): That has not been drawn to my attention. However, I point out that wherever there is or has been wrongdoing, it will not be condoned in any way. That I want to make perfectly clear, whatever the identity of the wrongdoer may be.

(Translation):

PAID HOLIDAYS FOR PART TIME EMPLOYEES

On the orders of the day:

(Page 7354)

Mr. Azellus Denis (St. Denis): Mr. Speaker, may I direct a question to the Secretary of State? Has he reconsidered the request made by the hon. member for St. Henry (Mr. Lessard) to the effect that leave with pay be granted to part time employees?

Hon. Noel Dorion (Secretary of State): That question is not within the exclusive jurisdiction of the Secretary of State. However, I have taken note of the request made to me by the hon. member for St. Henry, and I also note that of the hon. member for St. Denis; I shall submit the whole matter to the cabinet.

Mr. Georges Valade (St. Mary): I wish to ask a supplementary question, Mr. Speaker. Could the Secretary of State indicate whether such a request was ever made in the past under the former Liberal administration?

Mr. Dorion: I cannot say, Mr. Speaker.

(Text):

Mr. Speaker: Order. I think the hon. member's question has historic interest rather than current urgency.

DEFENCE PRODUCTION

VANCOUVER AIRPORT—USE OF U.S. CONSTRUCTION MATERIALS

On the orders of the day:

Mr. M. J. A. Lambert (Parliamentary Secretary to the Minister of National Revenue): The hon. member for Vancouver South asked a question on June 27 in connection with the alleged dumping of gravel in British Columbia. I indicated at the time that I would look into the matter. Officials of the appraisers' branch of the department have now been asked to conduct an injury to ensure that importations of aggregate into Canada by Deeks-McBride Limited, Vancouver, B.C. from Friday Harbor and Stillicum in the state of Washington are made at values in accordance with the provisions of the Customs Act.

UNITED NATIONS

DISARMAMENT—INQUIRY AS TO RESUMPTION OF DISCUSSIONS

On the orders of the day:

Hon. Paul Martin (Essex East): May I ask the Secretary of State for External Affairs if he can say anything about the conclusion of the bilateral talks regarding disarmament discussion arrangements and, apparently, the decision to move those talks later to Moscow, I think, some time in the middle of July.

Hon. Howard C. Green (Secretary of State for External Affairs): Mr. Speaker, I do not have a final report as yet, but I think the intention was that talks would be conducted partially in Washington and partially in Moscow, and I would imagine that the next stage will be conducted in Moscow.

Mr. Martin (Essex East): Is Canada being kept fully informed as to the nature of those discussions?

Mr. Green: Yes, Mr. Speaker.

FLOODS

MANITOBA—INQUIRY AS TO AGREEMENT ON RED RIVER CONTROL PLAN

On the orders of the day:

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, I should like to ask the Minister of Northern Affairs and National Resources whether he is able now or will be able before the house adjourns to give us a progress report in respect to the negotiations with the government of Manitoba in relation to the Red river floodway, about which action was promised in the speech from the throne.

Hon. W. G. Dinsdale (Minister of Northern Affairs and National Resources): Mr. Speaker, I can inform the hon. member that discussions concerning the engineering aspects of the project are proceeding quite satisfactorily. There has been some information appearing in the Winnipeg press in this regard, and so far as I am aware everything is proceeding on schedule.

SUPPLY

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

DEPARTMENT OF PUBLIC WORKS

Central Mortgage and Housing Corporation—

374. Additional amount for housing research and community planning as contemplated by part V of the National Housing Act, 1954, and to authorize commitments against future years in the amount of $585,900, $1,649,000.

Mr. Pearson: Mr. Chairman, I rise merely to express our regret that we are taking up this particular vote at this particular time, because the two members of our party who are particularly concerned with public works were assured on the word of the leader of the house that we would not be dealing with estimates today, and are not in their seats for very good reasons. Unfortunately the minister saw fit to change the procedure at the last minute; therefore we are discussing these particular estimates at a time when we should be discussing bills, especially the most important bill before this house. I suggest this would be a good day to discuss it.

Some hon. Members: Order.

Mr. Pearson: That is why, Mr. Chairman, because of this last minute change in the arrangements made by the leader of the house—

Mr. Grafftey: You have no members in the committee anyway.

Mr. Pearson: It is because of this last minute alteration in the program as announced on Thursday night that the two members of this party who are particularly interested in public works are not in a position to discuss these estimates this morning.

Mr. Fleming (Eglinton): Why are they not here?

Mr. Pearson: They are not here because they were told these estimates would not be discussed today.

Mr. Fleming (Eglinton): Did the Leader of the Opposition tell them not to come today?

Mr. Pearson: Mr. Chairman, in reply to the Minister of Finance I should like to say that those two hon. members to whom I have referred are attending the national celebration of Dominion day in their constituencies because they were informed by the leader of the house that estimates would not be discussed today, and they unfortunately relied upon his word.

An hon. Member: Oh, yes, but the house is sitting today.

Mr. Churchill: Mr. Chairman, I set the record straight last night when this matter was raised by the opposition, and the statements made by the Leader of the Opposition are not founded on fact at all. If he will read *Hansard* for yesterday, he will find out what the actual situation is. We attempted to make arrangements to go on with legislative items today and it was on that understanding that I said we would not be considering estimates today. However when that arrangement broke down, because the opposition would not agree, we had to decide to go ahead with estimates.

Mr. Pearson: Mr. Chairman, the house leader has said he attempted to make an arrangement to proceed with legislative items today. I suggest there is one piece of legislation before this house which could be very appropriately discussed now, this day being the anniversary of the bill of rights. Why are we proceeding with estimates? If the house leader tried to put legislative items before the house for today why does he not now proceed with that bill? We have asked for a discussion of this bill on the earliest possible date, and the Minister of Finance has said that this is a matter of crisis and that we should deal with it as quickly as possible. However, because of this sudden change we are now dealing with the estimates of the Department of Public Works.

Mr. Fleming (Eglinton): Just a lot of mock heroics from the Leader of the Opposition.

Mr. Chevrier: Bring on your bill.

Mr. Pickersgill: Why do you not proceed with that item?

The Deputy Chairman: Order.

An hon. Member: What happened to the bill of rights?

The Deputy Chairman: Order.

Mr. Habel: Has the bill of rights already disappeared?

An hon. Member: You are making a farce of the bill of rights.

Mr. Chevrier: Mr. Chairman, in respect to this—

The Deputy Chairman: Order. I see the hon. member for Kootenay West and think he should have the floor.

Mr. Herridge: Thank you, Mr. Chairman. For a good number of years the city of Trail has been interested in an urban renewal scheme. At the time the Secretary of State for External Affairs was minister of public works he made it possible for a survey to be made of the whole situation through an appropriation from this department. Since that time the survey has been completed and

the city of Trail has had a committee working on this question. That committee has negotiated with the Canadian Pacific Railway in respect to the removal of a section of track, and has had lengthy negotiations with provincial authorities. Trail is now prepared to proceed and is very anxious to obtain final endorsation of the Central Mortgage and Housing Corporation in respect to this scheme.

To illustrate the concern which exists I should like to quote briefly from the Trail *Times* of Thursday, May 4, 1961 and specifically from an article appearing therein entitled "Federal Government Studying First Phase of Urban Renewal Scheme". That article reads in part as follows:

> First phase of Trail's urban renewal development, that of West Trail, now is in the hands of the federal government, Mayor Leslie Read told the retail section of the Trail chamber of commerce Wednesday night.
>
> "It has been there two weeks," he admitted. "One month is all the time we are going to give them. If there is no word by then we will press the matter."
>
> "To us," said the mayor, "urban renewal means a lot; and $1,100,000 is a lot of money to a city this size."

The article then continues as follows:

> In reviewing the history of urban renewal in Trail, Mayor Read told merchants that when he first came into office (1956) track removal problem was one of the major problems confronting the council.

Then the article continues as follows:

> Mayor Read said the B.C. government has approved the first phase and agreed to pay 25 per cent of the cost. Trail also pays 25 per cent and the federal government, if it approves the plan, pays 50 per cent.
>
> "We hope the federal government will understand our problem," continued the mayor. "If they reject the plan it means, then, that the onus would be on the provincial government to increase its share of the cost".

I raise this matter at the request of the local people because they are very interested in this problem. I am sure the Secretary of State for External Affairs is also interested, because he was recently appointed the first freeman of Trail, and I congratulate him on that appointment and honour. I am not quite sure of the rights, responsibilities and privileges granted to freemen of a city in British Columbia, but I looked the matter up with respect to Great Britain and found that in Great Britain it is based on the honourary freedom of boroughs act of 1885, under which there are certain privileges. In some instances the freemen do not pay taxes; in others they are allowed to lead their cows in the city without any interference. In other instances they are responsible for the poor of the district. I am not quite sure what responsibilities the minister has assumed, but I congratulate him and I am sure he is as interested as any member in this house in this renewal problem in the city of which he has been appointed the first freeman.

Mr. Pearson: Since we are considering this particular item, and in view of what the house leader has just said, may I quote from page 7298 of *Hansard* as follows:

> Mr. Benidickson: Will estimates be taken on Saturday?
>
> Mr. Churchill: No.

Therefore, in order to consider Bill No. C-114 this day, I move that the committee rise and report progress.

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

Mr. Diefenbaker: Mr. Chairman—

Mr. Chevrier: Mr. Chairman, this is a non-debatable motion.

The Deputy Chairman: Has the Leader of the Opposition the motion in writing?

Mr. Pearson: Yes.

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

Motion (Mr. Pearson) negatived: Yeas, 16; nays, 73.

Mr. Pearson: I take it vote No. 374 would be concerned with urban renewal projects generally? Does the minister consider that the Red river flood project in Winnipeg, Manitoba, is an urban renewal project?

Mr. Walker: No, Mr. Chairman.

Mr. Howard: When this item was before the committee a couple of days ago I wanted to deal with the question of Indian houses and lending under the National Housing Act to Indian people for construction and reconstruction of houses.

Before I proceed, Mr. Chairman, I wonder whether I might through you express to the minister my heartfelt appreciation and congratulations for having recognized the other day the contribution I make in the house, by his presentation of a statistical analysis of the various items raised. I am sure the hon. member for Bonavista-Twillingate is equally appreciative of the fact that the minister thinks the hon. member is also an active, efficient and capable representative of his constituency. I am sure my own constituents will be gratified to know that I have been given the signal honour of such recognition by the Minister of Public Works.

Perhaps on balance, Mr. Chairman, one might be permitted to place on the record in a brief way some other statistics along the same line. I undertook to do a somewhat similar amount of work to that done by the Minister of Public Works. I discovered that

of those members who support his particular party, there have been 16 who so far during this session have not uttered one single solitary word on anything except perhaps to make some cat-calls or interjections, which they are quite capable of doing from time to time. Therefore I wonder which is the worst, to be a silent rubber stamp of the government, which is what the minister—

Mr. Churchill: On a point of order, Mr. Chairman, the remarks of the hon. member have nothing to do with the item before the committee for consideration.

Mr. Howard: I was only following the practice engaged in by the Minister of Veterans Affairs, who has indicated that he does not know what he is talking about. We find that there is no communion between the Prime Minister and the house leader with regard to the business of the house.

The Deputy Chairman: Order. The committee has under consideration item 374, which reads:

Additional amount for housing research and community planning as contemplated by part V of the National Housing Act, 1954, and to authorize commitments against future years in the amount of $585,900.

The hon. gentleman has been dealing with a matter having to do with the conduct of the business of the house which has already been disposed of by vote of the committee. His remarks are in no way related to the item under discussion. I would ask him to come back to the item, and to stay with it during the course of his remarks.

Mr. Howard: With deference, Mr. Chairman, I would point out to you that the committee decided nothing except that it would not rise and report progress. That was the motion before the committee. Long before the motion was moved by the Leader of the Opposition, he and other Liberal members, and government members as well, were allowed to engage in a discussion of whether this was the proper item to have before the committee. If, as you suggest, it is not proper for me to talk in this way—and I can appreciate that it is extremely embarrassing to the government to find out that members on this side of the house are placing less and less trust in what the government says about house business—then I will depart from that particular course and deal with what I intended to deal with, namely the question of housing loans for Indian people. I hope my remarks will prod some of the 30-odd silent Tory backbenchers into expressing their points of view about something from time to time.

Mr. Johnson: If the hon. member would dry up we would make some progress.

Mr. Grafftey: At least we are in the house.

Mr. Howard: There they go again, Mr. Chairman. My hon. friend said if I would dry up we would make some progress. The point is, Mr. Chairman, that these interjections, which as you can appreciate are out of order, are the sole contribution that my hon. friends opposite have to make to debates. All this simply indicates that there are a number of members in the house who are willing to give the government a blank cheque, to let the government do as it pleases, and not concern themselves one bit with the welfare of the people.

An hon. Member: Nonsense.

Mr. Howard: I do not have that much faith in the government, either in this regard or with respect to many other matters.

Mr. Aiken: On a point of order, Mr. Chairman, I wonder whether the hon. member would not follow your direction and discuss the item now before us. I should like to say a few things along the same lines as the hon. member's comments but it would not be in order. I would ask him to come back to the public works estimates.

An hon. Member: He has no brains.

Mr. Howard: Who is talking about brains?

Mr. Peters: He is sitting on his keeping them warm.

Mr. Howard: You see what happens, Mr. Chairman. Hon. members opposite say "Stay in order" and then they make these inane and asinine cat-calls and interjections which are completely out of order and made for the sole purpose of delay.

Mr. Aiken: Mr. Chairman, for the purpose of the record may I say that I made no interjection or cat-call except to ask the hon. member to come to order.

Mr. Howard: If the hat fits, pull it right down over your ears if you feel like it. The National Housing Act was amended in 1956 to provide that loans may be made to Indians for the purpose of building homes, and reconstructing and bringing homes up to date on Indian reserves, but so far no such loans have been made and I understand that no Indians have applied for loans. Without being derogatory in any way, I think we all agree that generally speaking the standard of homes on Indian reserves is not as high as in communities outside Indian reserves. I think this arises from a variety of reasons, economic, educational and others.

There is great need for an adequate home building program and adequate credit facilities for the Indian people in order that the homes they have at the moment may be

brought up to a higher standard. Even though the National Housing Act was amended in 1956 to provide for the making of such loans to Indians, I think the reason no applications for loans have been made is simple. Indian land cannot be mortgaged. It is land held in trust by the crown for the Indian population and it cannot be mortgaged, attached or foreclosed in any way. I think this is the main reason the provision with respect to loans to Indians under the National Housing Act has had no beneficial effects. Their lands cannot be pledged as security, which is the normal basis for the securing of mortgages for the building of homes so far as other people are concerned.

I realize that this is an extremely complex matter and can be easily misunderstood, but I think what must be explored is the possibility of Central Mortgage and Housing Corporation working in conjunction with the Indian affairs branch to develop a system of lending money to band councils on the basis of having the natural resources of the band mortgaged as security for the loans. In this regard I am thinking not of the land itself, which I do not think should be attached in any way, but rather of such things as the timber, oil or minerals on the land. If there was default in repayment these natural resources could be leased, sold or rented, as is now done by Indian bands in many instances, in order to recover the amount of any loan that was in default. In the process of relending the money borrowed under the National Housing Act the band council would be able to take as security from the individual band member that person's per capita share of the band fund and I think also the right to possess the property held by the individual Indian on the reserve in order that the band council might protect the resources of the band.

Unless we can do something of this nature I think the presence in the National Housing Act of a section authorizing loans to Indians will continue in the years to come to be of no use whatsoever, because at the moment there is no way in which Indian lands can be mortgaged. If this field has not already been explored I sincerely hope the minister will explore it fully and completely, to ensure the highest possible standard of homes for Indian people on reserves, and through this means attempt to see that the environmental factors of our Indians with respect to home conditions more closely approximate the environmental factors of those of us who are not Indians.

This would be another way of moving toward equality as between Indians and non-Indians. If investigation and study have already been made with regard to the matter of loans to Indians, I would appreciate it if the minister would indicate the results of these studies. On the other hand, if nothing definite has been done so far in this regard I am sure it would be a profitable field to explore, and would assist the Indian people immeasurably in increasing their standard of living.

Mr. Peters: Mr. Chairman, this is a very important field, and I should like to inquire about two or three things. I am particularly interested in the minister's intentions with regard to the secondary mortgage field. The minister made a statement the other day with regard to five lots of mortgages that the government had decided to dispose of, and indicated that mortgages to the value of $2\frac{1}{2}$ million carrying an effective rate of interest of $6\frac{3}{4}$ per cent had not been sold immediately. The minister may not have intended to do so, but I believe he indicated that these houses were in areas where it was difficult to interest private organizations in the buying of these mortgages. There was an indication at that time that perhaps some of these houses were in western Canada. I would not be particularly surprised to find that one of those lots of housing was in the uranium industry region of northern Ontario.

I believe this highlights one of the problems of Central Mortgage and Housing Corporation in that we have dealt with housing in a rather odd manner. I have always understood that the corporation was given a certain amount of money and that the government as they have done on several occasions, made large additional grants to the corporation with the idea that the money would be placed in a revolving fund for at least the term of the mortgages and that the amount would continue to grow. I was surprised to find that this is not the case.

Mr. Walker: Mr. Chairman, would my hon. friend be good enough to indicate to me how his question arises under item 374? The last member, who I understand is to engage in an all day filibuster supported by the hon. member who is speaking—I want the committee to make a note of that—did not touch upon the subject matter of item 374. Now the hon. member who has been speaking, and who is in collusion with the hon. member for Skeena to hold up the work of the committee for another day, should inform me what the question is which arises under item 374, and I would be happy to answer it. The reason I did not answer the hon. member for Skeena was that at no time during the half hour he took did he discuss item 374.

Mr. Howard: I would point out to the minister that he cannot see the clock. I was not more than five minutes.

Mr. Walker: I asked a question of the hon. member who is speaking. Are you just going to sit there? It is not within the purview of the hon. member for Skeena to intervene.

Mr. Howard: If I might have the floor, Mr. Chairman, I would say that I have noticed in the Minister of Public Works a disposition to be everything—

Mr. Walker: I asked a question, Mr. Chairman, and I would be very happy to have it answered.

The Deputy Chairman: Order. I agree that the minister asked a question of the hon. member for Timiskaming, and when I turned to again recognize that hon. member who had previously had the floor, I did not see him. I saw the hon. member for Skeena, and that was the only person I could see. There was no one else on his feet, so the hon. member for Skeena has the floor.

Mr. Howard: I want to point out—

Mr. Martin (Essex East): Before the hon. member proceeds, Mr. Chairman, I should like to point out that the Minister of Public Works made a remark about the Chair. He said, "Are you just sitting there"? I have observed the present chairman's conduct of our proceedings and I think it has been admirable from the time he first took the chair. I do not believe the Minister of Public Works was warranted in this slur which he cast.

Mr. Walker: I, too, am most complimentary of the chairman of this committee. I have nothing but good to say of him. My hon. friend, who is very sensitive to matters which pertain to political capital of any kind, is implying something that was not meant and could not be taken from the context.

Mr. Howard: Now that I have the opportunity I only wish to say, Mr. Chairman, that the accusations of the Minister of Public Works about delay and the like are as untrue as anything he has ever said.

Mr. Peters: The minister has asked us, Mr. Chairman, how we relate this discussion to the item before us. Well, Mr. Chairman, I did not have the opportunity of speaking on this subject previously. If he will recall, the last time the subject was under discussion was June 21. There was a great deal of discussion with regard to Central Mortgage and Housing Corporation on that occasion and the minister engaged in that discussion, particularly the aspect of the matter I am discussing, which is recorded on pages 6851 and 6852 of *Hansard*. The hon. member for Burnaby-Coquitlam raised this question and the minister replied to it. The questions at that time were more specific.

However, Mr. Chairman, I have not asked the minister any questions so far. We may come to that stage. Perhaps the minister would not answer such questions anyway, because what I am trying to discuss is the conduct of the government in relation to Central Mortgage and Housing Corporation. It happens that today is Saturday and, because of that fact, we did not anticipate these estimates would be under discussion at this time. Housing is an important issue to the Canadian people. What the government does with regard to housing in Canada is probably as important as any action the government takes.

Mr. Walker: On a point of order, Mr. Chairman, I should like to point out that we had four days to discuss generally the subject of Central Mortgage and Housing Corporation. We are now well past the first item, and we are now on the fifth day of discussion of these estimates. I am simply asking you, Mr. Chairman, to rule that we should discuss item 374. If the hon. member for Timiskaming was not here during the first four days when we were discussing item No. 1, that is something I cannot help.

Let us, Mr. Chairman, confine ourselves to the item which is under discussion. If we could have strict adherence to that rule, Mr. Chairman, as we do when other estimates are under discussion, we would make more progress. My friend says it is important to discuss Central Mortgage and Housing Corporation in general, and I agree, but four days were given in this committee to the discussion of item No. 1.

The Deputy Chairman: The minister is quite right in pointing out the need for strict relevancy once we pass item No. 1 of the estimates. The item under consideration deals with housing research and community planning. This is a fairly well defined field which is open to the hon. member for discussion. I would ask him to make his remarks strictly relevant to this item, if he will.

Mr. McIlraith: Perhaps if we had a temporary lull in the private war between the minister and the two hon. members in the committee I could ask him some questions which I think will be strictly relevant, and to which I hope to get answers.

An hon. Member: For a change.

Mr. McIlraith: I do not know the point of that interjection. Perhaps I had better leave it on the record unanswered and ignored, as it should be. Item 374 reads:

Additional amount for housing research and community planning as contemplated by part V of the National Housing Act, 1954, and to authorize commitments against future years in the amount of $585,900.

I wonder if the minister would take a moment, because of the inadequacy of the details which are purported to be given on page 491 but as to which an examination of that page reveals nothing, to tell us exactly how much of this vote is for housing research; what, in a general way, housing research embraces, and so on. I should like to know, too, how much of the item goes into community planning and how community planning is coordinated with the efforts of those having the immediate responsibility, the municipalities and the provinces. If he could do that I think it would serve a useful purpose.

Then I should like him to explain to us the latter part of the item, to authorize commitments against future years in the amount of $585,900. If he would do that I would be grateful to him because I must admit that, for my own part, I find the item confusing, particularly in view of the absence in the details of any explanation of the increase in the item to more than four times the amount required last year.

Mr. Walker: I want to thank the hon. member for Ottawa West for that question. The expenses under the item for 1961-62 are set out here in particularity, and I will go over them. First, recurring grants amount to a total of $486,900 and include the Canadian housing design council, the community planning association of Canada, university aid program, starts and completions surveys, Canadian housing statistics information, national research council, dominion bureau of statistics rental housing survey and Ontario research foundation. Non-recurring grants, of which community planning research is one, total $728,000, and administrative charges total $435,000 for a total of $1,649,900.

As to the matter to which the hon. member specifically refers, namely community planning research, the budget this year is in the amount of $109,000.

Mr. Pearson: May I ask the minister whether the research which has been conducted in this important matter gives us any ground for hope that the cost of construction can be reduced?

Mr. Walker: I wish to thank the Leader of the Opposition for asking that pertinent question and to say that it is a matter that is of great concern to us. We have had a great deal of assistance from private industries which, through research, are trying to reduce building costs. If there is any information that we are able to make available to them we readily do so, and we encourage them to make inquiries from us.

We have also obtained great assistance from the national research council which in many spheres, in almost anything I ever had anything to do with, has given tremendous service to the public. We are constantly looking for ways and means to reduce costs. Had this not been so I am informed by the head of Central Mortgage and Housing Corporation that costs would be considerably higher than they are at the present time, and for a comparison we check our costs with costs in the United States.

Mr. Pearson: It has been stated—and I am not supporting the validity of the statement, because I am not qualified to do so—that the standards laid down are so strict that they add to the cost of construction, and that perhaps for that reason they may be considered too strict.

Mr. Winch: I am greatly interested in this phase also, and I hope we can have some comment from the minister on it. As the committee knows, I think I know something about the construction industry. In the past I have been very happy with the standards that have been established by Central Mortgage and Housing Corporation. However, as I said just a few days ago, I am very much disturbed by some of the changes I hear about, and I am wondering whether they are recommended by the national research board as being permissible, safe and in line with construction staying on a stable basis for many years. From what I have been able to learn of some of the changes, I would most certainly say that from the point of view of good standards in home construction, you are going to have a shack town instead of a decent settlement in the future if some of these rumours are correct. I should certainly like to hear from the minister on the maintenance of proper standards. Perhaps at the same time he could tell us about the issuance of minimum standards in a form that can be readily understood. They certainly cannot be readily understood at the present time.

Mr. Walker: Mr. Chairman, that shows how we can have divergent points of view. The Leader of the Opposition has heard that the standards were too strict—

Mr. McIlraith: No, he did not say that.

Mr. Walker: —and the hon. member for Vancouver East has said that they are not strict enough. All I can say is that we have had these standards created by experts across

the country, together with the national research council which has been formulating the national building code. I would certainly prefer the stricture of the Leader of the Opposition that we are too strict rather than the suggestion that we are not strict enough. The only way we can raise the standards of housing and thus induce further building is by keeping up the standards. By keeping up the standards we feel we are not in any way increasing the intrinsic costs.

Mr. Pearson: I hope I will not be misunderstood, Mr. Chairman. I did not suggest that the standards were too strict. I said it had been alleged—indeed it has been reported to me in the past—that the standards in certain respects were perhaps too strict in relation to the necessity for reducing the cost of construction. I was thinking particularly of the standards in lumber. I am not associating myself with that point of view because I just do not know. I was asking for information.

Mr. Walker: Thank you.

Mr. McIlraith: I wanted to pursue a bit further the questions I asked the minister. Under the research part of the estimate he referred to recurring grants amounting to some $486,000. From the information he gave about those grants I was not quite clear as to how many of them were directed to research in the field of building materials and how many to research in the field of housing conditions generally. Is he able in any way to give me an approximate division in that sense between the various grants, as to what amounts would go directly into research concerned with housing materials and how much would go into research on housing conditions or what might more properly be called the social aspect?

Mr. Walker: Directly for the purpose which my hon. friend has suggested is the grant of the national research council of $122,900. In connection with the other matters may I say this. As my hon. friend knows, it is research too. The Canadian housing design council gets a grant of $27,000; the community planning association of Canada, $67,000; university aid program, $72,000; starts and completions surveys, $41,000; Canadian housing statistics, $12,000; information, $145,000; national research council, $122,900.

Mr. McIlraith: From that answer I take it that the one item concerned with the research into building materials would be the national research council item?

Mr. Walker: Quite so.

Mr. McIlraith: I take it that the others would be substantially if not wholly directed to research into housing conditions and information about housing generally, or research other than that into building materials. I think I am correct in that view?

Mr. Walker: Yes, that is approximately correct.

Mr. McIlraith: I was appreciative of the minister's remarks about the work of the national research council in this field of research. I have found that to be my experience over quite a number of years. I certainly wish to express my concurrence in the view put forward as to the quality of the work which the national research council does in this field and in related fields.

I noticed that the minister made no reference to the forest products laboratory. I am not up to date in my information about it and do not know whether they are doing research work on housing materials. If they are not doing it at this time, may I suggest to the minister that he consider the possibility of having the forest products laboratory do work that is directly related to building materials for housing. I think he will find that the record of that laboratory is rather good. Because of its significance not only to the users of the products on which it does research but to the forest industry generally in this country, I think it is a very good organization and that it makes a substantial contribution. I would ask the minister to examine the possibility of co-ordinating the research work provided for by this item more closely with the work of the forest products laboratory, and if they have facilities which might properly be directed to this end, that such direction be given.

Turning to the grant for community planning, may I say that this is a problem on which one could spend a great deal of time. A great deal of public attention is being directed to this subject. It is not my intention at this stage of the estimates to get into a lengthy discussion, but bearing in mind that it is the municipalities and the provinces which have the primary responsibility in this field, can the minister explain the increase this year in terms of the grants which are being made? The grants appear to be sharply increased. I have not the comparative figures for last year, but the whole item in the estimates is multiplied by four compared with what it was last year. Can the minister assure us that these grants are being made in such a way that they will add to the good work which is already being done in many areas by the provinces and municipalities? Can he assure us that the work is being well co-ordinated among the various authorities

so that this extra sum will add to the total of the work done and not represent duplication in any respect?

Mr. Walker: In regard to the forest products laboratory, we are already co-ordinated with the laboratory, which happens to be next door to us. They do our tests on plywood and on the other products we consider placing in our specifications, free of charge. We find it very helpful, and it is also helpful for them to get us to accept specifications for Canadian material. All in all, we have a happy relationship.

In reply to the question asked about the budget, the budget last year amounted to $1,158,035 and this year it is $1,649,900.

Mr. McIlraith: Could the minister answer the latter part of my question about community planning?

Mr. Walker: Yes, the amount in respect of community planning last year was $75,000 and this year it is $67,000. Last year the actual expenditure amounted to $69,317.

Mr. McIlraith: As I understood the minister, in answer to the first question I asked today he indicated that grants under the community planning part of this vote amounted to $728,000. It is this point I should like to have clarified.

Mr. Walker: There is a distinction. The recurring grant to the community planning association of Canada this year amounts to $67,000. On the other hand the non-recurring grant, the grant in respect of community planning research, amounts to $109,000.

Mr. McIlraith: I have one further question. I should like to ask the minister if he would look into the possibility of setting out details of this estimate in a better form next year. I think the form in which the detail is set out under this vote is not as clear as it might be, and that it could be improved.

Mr. Peters: It would be a point of order to ask the minister just how he is justifying the remarks he has been making either under the particulars or under the item itself. The remarks he has made indicate to me that I was not out of order when making my original remarks, and I think possibly it would be wise to continue on this subject because I think in this particular respect the department has probably not kept up with the thinking or the needs of some of our communities.

One thing which appears to me to be self evident is that the planning which went into the central mortgage and housing development in Elliot Lake was at fault. A terrific expense was imposed on many of the miners in that area in order to do something which was demanded of them by this act when it was probably not necessary to incur such expense, and not to their advantage to do so. The government knew. The officials of Central Mortgage and Housing Corporation knew. They were more aware than anyone else of the fact that Elliot Lake was a temporary proposition with a very doubtful future. They made this evident in the requirements they imposed in asking the companies to guarantee beyond a very limited period the loans which were made at that time. Even so, even knowing this, standards were set for the building of houses which would probably be advantageous only if more permanent buildings were required. Why should such standards have been set at a time when it appeared to the officials of the department that this township was not going to be as permanent as had once been indicated?

Such mistakes are repeated in other areas. We are told that houses are to be built in the city of North Bay in connection with defence requirements. The units to be built by the department are being planned in several locations, and I presume they will be built in accordance with the standards which apply to normal housing. I think it is generally accepted, even by the people who will be living in these houses, that there is not likely to be a 20-year tenancy. The Bomarc missile base in North Bay will not be as permanent as that, in all likelihood. Military minds can probably see what is likely to be the lifetime of that community as it is being planned. I do not believe it is necessary or desirable to have these houses built in accordance with plans which are thought to be desirable when houses are to last for 50 or 60 years. I think much more temporary arrangements could be made, and that these would be satisfactory for the housing of these people.

I should like to know what work the department has done in the matter of planning in so far as the relationship between the cost of acquisition of a site and the cost of the house to be built on it is concerned. It appears to me unreasonable to build a $10,000 or $12,000 house on a piece of land which costs $10,000, for example. The department must have worked out a formula in connection with the relationship between the value of the house and the cost of acquiring the land on which it is built.

Of course this situation is governed to some extent by municipal bylaws. Certain zoning bylaws call for the erection of certain types of house, but the department has no doubt done some work on this question. I am interested to learn what the results have been, and whether there is a formula or relationship between the cost of acquiring the land and the price of building to be built on the land.

In relation to the work which the minister said would be done at North Bay—he referred to projects located in several areas—I understand that the options and planning have already begun in regard to a 200 unit project, and that consideration is being given to the sites required for the remainder of the total of 575 homes. I should like to know what the department's thinking is in regard to fitting this program into the housing program of the municipality, and what advantage or disadvantage there is in keeping the military housing project separate from the municipality. I understand when this course is followed the military project is only connected to the municipality in order to obtain municipal facilities such as sewer and water services. Is there a formula which has been developed in this regard and, if so, what are the advantages?

It seems to me that it would have been advantageous in past years if during the planning of low cost housing projects consideration had been given to including them as part and parcel of the municipality rather than locating them in isolated areas. Such a course, I suggest, would have been advantageous to any urban renewal program carried out at a later date, after the lifetime of those low cost housing units, which was considered at the time they were built to be very limited. Had that course been followed the whole area would have benefited by a total urban renewal program rather than one which concerns only certain streets, areas and zones, and which involves great difficulty because of the fact that the low cost houses have decreased the value of surrounding properties.

I should like to know whether this department has considered this program in those terms, with particular reference to the project at North Bay. I should also like to know why in the planning and development of this and similar projects the same consideration was not given as was given the development of areas such as Elliot Lake and Bancroft, where very high standards were demanded in respect to buildings because the officials of the department were of the opinion that it would be advantageous to do so; and I suggest that is so because of the financing arrangements that were made with the companies involved.

The Deputy Chairman: Shall vote 374 carry?

Mr. Howard: Mr. Chairman, before this item carries I wonder whether the minister on reflection intends to give this committee information in respect to the subject I raised earlier, concerning loans to Indian people for the new homes and the reconstruction of existing homes in reserves; or is the minister still of the opinion that this is not the appropriate item in relation to which that subject should be discussed?

The Deputy Chairman: Shall vote 374 carry?

Some hon. Members: Carried.

Mr. Howard: Mr. Chairman, before this item carries I should like to point out that, as recorded at page 6503 of *Hansard* for June 17, 1961, when we were considering the first item of these estimates, the minister suggested that this subject should be taken up during the committee's consideration of this vote. I should like to read that portion of *Hansard* to which I refer, which is as follows:

> Mr. Herridge: I have been very quiescent during the initial stages of this discussion. Before this vote carries, is the minister going to reply to a few of the questions that were put, or is he going to reply on the appropriate items?
>
> Mr. Walker: On appropriate items.

We have now reached the vote in respect of at least one portion of Central Mortgage and Housing Corporation operations and are asking specific questions in regard to matters which the minister said should be discussed at this time, yet he now says that these subjects should have been taken up at the time of our consideration of the first item. This indicates to me that the minister is being furtive and secretive about matters which he does not intend the public should know.

Item agreed to.

577. To reimburse Central Mortgage and Housing Corporation for losses sustained by it during the fiscal year 1960-61 as a result of the operation of federal-provincial projects undertaken under section 36 of the National Housing Act, 1954, $253,790.

Mr. Peters: Is the minister going to comment in respect to this item?

Item agreed to.

National capital commission—

375. Operation and maintenance of parks, parkways and grounds adjoining government buildings at Ottawa and Hull, and general administration, $2,311,240.

Mr. McIlraith: Mr. Chairman, in respect to vote 375 I should like to ask one or two questions.

Mr. Howard: Now he is shaking his hands in glee.

Mr. McIlraith: That is the minister, not the hon. member for Ottawa West.

Mr. Howard: Yes, certainly.

Mr. McIlraith: This vote dealing with the national capital commission involves a subject which I am sure is of great interest to all

members of the House of Commons. It is not my purpose now, and members supporting the government will be interested to know this, to take time to make a speech. However, I should like to comment in respect to one or two individual items and, as our consideration continues, to ask certain questions.

At the outset I want to express my regret that the annual report of the national capital commission is not available to hon. members at a time when this item is being discussed by the committee. Over the years the national capital commission report has been prepared in such a way as to give information of great interest to hon. members. In spite of the deficiencies which have resulted from the competition provided by the extensive art work in the publications put out by the Department of Agriculture and the Department of Trade and Commerce, it has contained a good deal of information which members of parliament who provide the funds, are entitled to have.

I know that an uncovered copy of this report was tabled in June. On the last day these estimates were before the committee the minister was kind enough to let me have his copy for a few minutes, during which time I only had the opportunity of making a very superficial examination. I hope the minister will look into this matter to see if the printing of the report can be completed in order that it may be distributed to members. It seems to me that the delay between the tabling of the report and its distribution to hon. members is wholly unreasonable and improper. I wonder whether the minister can give us some explanation as to this delay.

Mr. Walker: Mr. Chairman, I handed my copy to the hon. member for Ottawa West on the day to which he refers, but at that time, fortunately or unfortunately, the estimates concerning the national capital commission were not being considered. I am not sure whether the hon. member gave that copy back to me.

Mr. McIlraith: Oh, yes, I returned it to you that same day.

Mr. Walker: I understand copies have been available for some two weeks. I wonder whether the hon. member asked for a copy. I certainly do not remember him asking me for one.

Mr. McIlraith: Mr. Chairman, to clarify the situation I should like to state that I have been asking at the distribution office regularly for a copy in the ordinary way, but it has simply not been available to me.

[Mr. McIlraith.]

Mr. Walker: Copies of the first part of that report have been available for some time. Part 2 of the report is available except for the report of the Auditor General, and we have not been able to complete it for that reason.

Mr. McIlraith: Do I understand—

Mr. Walker: You can have my copy.

Mr. McIlraith: Do I understand the minister correctly when he says copies are available? For some reason that is not apparent they have not been distributed to hon. members. I have been trying to get a copy.

Mr. Walker: I am just the minister. The hon. member will appreciate this, particularly with respect to the question of distribution. I understand that at least 75 copies were sent to the house some time ago.

Mr. McIlraith: I will not pursue the matter further. I certainly was not able to get one of the 75 copies. I was trying to get a copy. I look forward to this report, as I have over a number of years. I consider it a report of great interest, if not national, certainly of local interest. I have always looked forward to getting my copy. Apart from seeing the one the minister had, which he was kind enough to let me have for a few minutes when his estimates were last before the house a week or so ago, I have not seen a copy. Perhaps we can leave the matter for the minister to look into further and see whether distribution can be made.

Mr. Walker: Yes.

(Translation):

Mr. Leduc: I am sure that the residents of the national capital and all other Canadians who are interested in the national capital development, have noticed with pleasure the progress made up to now in the implementation of the plan.

Since we are at present considering the item relative to the operation and maintenance of parks and parkways, I should like to take this opportunity to congratulate the staff and all the members of the commission for the excellent work they are doing in this city. We are very proud of our parks and parkways; tourists who visit the national capital never have anything but words of praise for the way the flowers and shrubbery are kept and for the fine condition of the grounds around government buildings.

I therefore commend all members of the commission and all those responsible for the maintenance and lay-out of those parks.

The national capital program provides for projects to be carried out in the immediate future, and others are long term projects.

I want, at this time, to congratulate the commission for having undertaken the important project of relocating the railway tracks and Union station. That, to my mind, is the key to the master capital plan. It was announced earlier in the press that within four years, Union station would be located about two miles from the parliament buildings. All the railroad tracks across the city will disappear; the level crossings will be eliminated, and new throughways and boulevards will be laid out where those tracks are now.

I read with great pleasure in the papers, about ten days ago, that the commission had decided to run the railways underground in the city. From the Ottawa river the route would go under the Rideau canal to the south of the city via the Carleton university campus. I think that is a sound decision, though it may cost rather more to have those tracks running through a tunnel. From an aesthetic point of view, it will mean a great deal to the capital.

As far as railroad relocation is concerned, I hope that the commission is now considering a similar plan for the city of Hull. We know that in four years from now, when Union station has been moved a few miles away from its present location, the railway on the Quebec side will also have to change its route, because trains will no longer be using the interprovincial bridge. Railway traffic will be concentrated on a single branch line. I hope the commission will proceed in the same way on the Quebec side as on the Ottawa side. I hope consideration will be given to building a tunnel for the railroad tracks west of Montcalm street and beyond Alexandre Tache boulevard. The same might be done on the north side of the city of Hull, towards which much of the traffic will have to be routed when the new bridge is built. At that time, I think it would be very wise to build a tunnel for the railroad tracks across Hull.

May I also say to the house that I am most satisfied with the attitude adopted by the commission in purchasing all the land on the Ottawa side in the green belt surrounding the national capital. Such a step was essential both for sound administration and as a means of rushing in a scientific way the boundaries of the capital area.

I hope the commission will adopt the same policy on the Quebec side and will take immediate steps for the creation of a green belt in that area.

(Text):

At one o'clock the committee took recess.

AFTER RECESS

The committee resumed at 2.30 p.m.

(Translation):

Mr. Leduc: Mr. Chairman, before the one o'clock recess, I made a few brief remarks on the administration of the national capital.

I should now like to discuss a subject of great concern to my constituents and to myself, namely the development of the Gatineau park.

I am sure the majority of hon. members who have visited the park will agree with me that we would feel more comfortable this afternoon in Gatineau park than in this house.

A great many Canadians are on holidays at this time, enjoying the charms and facilities available to them as a result of the development of Gatineau park.

Gatineau park is only partly developed.

The scheme for the development of this park was outlined in 1937. First there was the planning stage, then land was purchased, and today, part of the park has been completed.

On this day of July 1, the 94th anniversary of confederation, I think it is appropriate to express the hope, that in 1967, six years hence, or 30 years after development of this park was initiated, the 1937 dream will come true and Gatineau park will be completed.

Let us not forget that this is the only national park in the province of Quebec.

At this point, I should like to suggest to the minister and to the members of the national capital commission that they urge the federal government to approach the government of the province of Quebec and ask that the land now owned by the province be set aside for the Gatineau park.

This is certainly the best time to come to an agreement with Quebec in that connection, for, today, Quebec is really part of the confederation.

Ten or 15 years ago, various members of the commission tried to reach an agreement with the province of Quebec with regard to provincially-owned land which could be used to complete the park development. But no agreement could be reached.

I believe the commission should take further steps to settle this important question.

The agreement could be on two points. First of all, we should obtain for the park all the lands belonging to the lands and forest department of the province of Quebec; and secondly, the N.C.C. should let the province have the right of way which it holds on a property formerly owned by the Hull electric company, where the latter ran its street cars between Hull and Aylmer. Furthermore the town of Aylmer and all the area between Hull and Aylmer need a second highway.

I think the commission should take steps to make such an exchange with Quebec, thereby simultaneously solving two problems: that of the Gatineau park, and the traffic problem between Hull and Aylmer.

Mr. Chairman, in the last few years, the funds appropriated for the development of the Gatineau park have been reduced. I realize that some of the projects involved in the national capital development program are more urgent than others. However, in view of the present unemployment in the Hull district, the riding of Gatineau and the neighbouring area, it seems to me that the government should increase its expenses instead of reducing them. Such a development could provide a great deal of work for labourers. I feel that the commission authorities would be wise to undertake the continuation of the parkway that goes from Hull to the Champlain look-out because, after all, that is the first stretch of the Gatineau parkway. The commission should extend it not only to lake Philippe but to the north limit of the park in the riding of Pontiac.

However, I should like to express my appreciation to the national capital commission for having granted recently a contract for the paving of the road between Wakefield and Masham to lake Philippe. The house is no doubt aware of the fact that all necessary facilities are to be found at lake Philippe and that thousands of tourists spend their days and week ends at that lake. The paving of those three miles of road is truly beneficial to the people who go to that fine lake.

I would have a few suggestions to make to the commission concerning the development of that park. There are some 30 lakes within the park. Some of them are quite large and offer good fishing since tourists find there the species of fish they are looking for. We have in that park, only a few miles from the capital, salmon trout, bass, pike and pickerel.

In my opinion, the commission should have a biological survey carried out immediately in those lakes and have all non-sport fish destroyed. It should also see to the construction of a fish-breeding establishment in order to stock those lakes with appropriate fish. Thus we would have lakes well provided with fish for the tourists, when the construction of parkways and roads will have opened the area to the public.

I should like also to say a few words about the prison camp to be opened in a few days, if it is not already opened. It is located in the riding of Gatineau, or rather in the riding of Pontiac, but in the Gatineau park.

Mr. Chairman, I have a few remarks to make on this subject. I am aware that the national capital commission is not responsible for this project for it comes under the Department of Justice. However, since it is essential that good relations exist between the national capital commission and those who reside near the park, I suggest the commission should not be responsible for this prisoners' camp.

People throughout the area are against the prison camp. The Gatineau county council, the chambers of commerce, schoolboards and town councils have passed resolutions which were sent to the Minister of Justice (Mr. Fulton) to protest the establishment of such a camp in the area.

Can you imagine, Mr. Chairman, what it means to have from 80 to 100 prisoners in such a camp? It means that work which should normally be done by local people, who have a right to work and a good many of whom are unemployed because they have agreed to work for the national capital commission for the building of this camp. Well, that work will not be carried out by them any more. In my region, we have unemployed heads of families to whom it is very difficult to explain that the government prefers to have the work done by prisoners, by former criminals rather than by our honest people. That is why I should not want the commission to bear the responsibility for that camp in Gatineau park. Fortunately, the camp will not be set up in the constituency of Gatineau, but rather in the Gatineau park, that is to say, in the constituency of Pontiac-Temiscamingue. It is not for me to express here the views of the hon. member for Pontiac-Temiscamingue (Mr. Martineau), but I do know—

Mr. Martineau: He can express his own views.

Mr. Leduc: —that some of the voters in the constituency of Pontiac-Temiscamingue, which is close to mine, came to see me to say they were not satisfied either. I should like the public to know that the commission is not responsible for the setting up of that camp.

Now, I would like to make a few more brief remarks in connection with zoning and building regulations in municipalities located within the national capital area. The N.C.C. makes available to municipalities the services of expert town planners for the preparation of zoning plans and proposals for building regulations.

It is deplorable that some municipalities within the limits of the national capital have no zoning nor building regulations. I understand that in the provinces of Quebec and Ontario some municipalities cannot afford the services of expert town-planners for that kind of work. But fortunately, within the limits of the national capital, services of such experts are offered free of charge to all municipal councils. I would ask the commission to exert pressure, or at least to do what can be done to inform the people in those various municipalities so that they will ask the commission for the services of the town planners to prepare adequate plans.

There are unfortunately, quite close to Hull city limits, villages which are developing into real slum villages. Why? Because those municipalities have no zoning or building regulations to control building in the limits of their own territory.

I know that at this time there is serious work being done in Quebec to help and advise municipalities in taking zoning and urban development measures. I hope the commission will do its best to see that all the municipalities in the national capital area have their own zoning and construction programs as soon as possible and that the bylaws they adopt are strictly enforced.

Mr. Denis: No match-box post offices.

Mr. Leduc: Mr. Chairman, it would also be advisable, I think, to construct a building for the Gatineau park management staff. I know that the department has provided temporary buildings, but with the expansion that is now evident, the national capital commission should give immediate consideration to properly housing the employees of the Gatineau park administration in buildings fit for such a park.

Mr. Martineau: Mr. Chairman, I had no intention of speaking on this item, but in view of the remarks just made by my hon. colleague from Gatineau (Mr. Leduc), I feel I should give the house my views on this matter.

It goes without saying that I fully agree with some of the remarks made by the hon. member for Gatineau, and especially with those pertaining to the beauties of the Gatineau park and of the Pontiac-Temiscamingue and Gatineau ridings. As a matter of fact, I am the first to support his views. I fully support some of his suggestions concerning the development of the park and the building of roads through it, so that the greatest possible number of citizens may enjoy the natural beauties that are to be found there. I am happy to say to the hon. gentleman that his comments on this matter are greatly appreciated.

However, Mr. Chairman, the hon. member raised a question about which I feel, he did not do justice in his speech. I refer to the use of prisoners to carry out work within the Gatineau park.

I should ask the hon. member for Gatineau to refer particularly to the statements made by the Minister of Justice (Mr. Fulton) about this matter. In reply to a question about the consequences of setting up correctional working camps, and more particularly about the work to be carried out in the Gatineau park, in co-operation with the national capital commission, the Minister of Justice stated as follows, as recorded on page 1 of the English *Hansard* for December 21, 1960:

> The government believes in the principles underlying such rehabilitation projects and their use for resources conservation purposes. However, in the study of each particular project, we require that the following test be applied: Is it expected that the project, within about ten years, would be carried out by regular workers and paid for out of public funds? If so, it is not undertaken by prisoners.

When discussing the estimates of the justice department the same question was dealt with and the Minister of Justice stated on June 9, 1961, as will be found in *Hansard*:

> During the coming months it is intended to place the emphasis upon the development of minimum security institutions. The committee will have

gathered from my previous remarks that the pressure for medium security institutions has in some measure been relieved, and our greatest need is for institutions in which the benefits of minimum security conditions can be brought to bear upon those inmates who have responded to our new rehabilitation methods. The necessary provision has now been made so that, across the country, we shall be opening five correctional work camps, each designed to provide accommodation and training for 80 inmates. These camps—

The minister there listed the various locations where those camps would be set up and mentioned the Gatineau park, in Quebec.

And the minister went on:

I would like to assure the house that none of the men held in these institutions will be engaged upon work which would deprive other Canadians of employment. None of the projects which they undertake would be commenced within ten years if they had to be paid for out of tax moneys at the current rates of civilian pay.

In other words, Mr. Chairman, the Minister of Justice indicated on two different occasions that the work carried out under that program would be of a kind which, anyway, is not planned for the next ten years and far from delaying the development of the Gatineau park, will rather accelerate this project.

Mr. Chairman, I understand that no unemployed worker in the area will be deprived of a job, because of those works the purpose of which is to establish those very facilities the hon. member for Gatineau himself has been asking for.

In addition, there is no doubt that the establishment of a prison camp will create jobs for a number of guards and caterers, the latter having to supply the inmates of the institution with the required services and commodities. I therefore feel that if we adopt that position, far from depriving the local people of jobs, we will on the contrary create additional jobs.

Mr. Chairman, I am glad to see that recently some officers of the Department of Justice went to my hon. friend's riding to explain the objectives of that department when they establish such correctional work camps.

The hon. member for Gatineau has referred to complaints he has apparently received from his constituents. Personally, I can say here that I have never received any complaint from anyone in my constituency. Quite to the contrary, municipal authorities wrote to congratulate this government for undertaking work that will considerably help the development of an area which, in the opinion of all, including the hon. member for Gatineau, is quite promising from the viewpoint of tourist attractions of all kinds.

I also take this opportunity to ask the Minister of Public Works (Mr. Walker) to see that the national capital commission carries on with this worth-while project of the Gatineau park development, so that not only the citizens of our district, but all the citizens of this country may fully benefit from the natural attractions of the Gatineau park, which all of us praise.

(Text):

Mr. Herridge: I rise just to ask a question or two of the minister. However, before doing so I must express my full appreciation of the work that has been undertaken throughout the years by the capital commission for the planned beautification of Ottawa and its environs. As a matter of fact I have no hesitation in saying that practically everything Ottawa has with respect to beautiful gardens, drives, lawns and parks is the result of the activity of the capital commission. I think much credit should be given to that robust, energetic and very capable person General Kennedy and his colleagues.

By the way, Mr. Chairman, I must be getting on in years because 44 years ago I never thought I would speak a good word for a general again after being carted about 100 miles across France in a G.S. wagon in order to be court-martialled for supposedly giving a platoon a wrong order in action. As soon as the court saw me, of course, they knew I was innocent and the charge was dismissed.

However, I must say also that I wish to compliment the person, whoever it is, who is responsible for the decoration around the grounds of parliament for this holiday season. I hear some comment and I can well understand it; but honestly I am giving my opinion. I think we have more colour, greater effect, and more holiday and festive atmosphere for the least expense than we have had for a good many years. I have had a look at these decorations. I find that, best of all, the flags, the poles and the portable cement blocks will serve for many future national holidays, festive occasions, welcomes to visitors from overseas and so on. I like the idea of being able to use these materials over and over

again. As I say, I have seen some heavy expenditures, on occasions, on things which could not be used again.

Now I come to my question. I have had a number of visits from residents in the Sussex street district, in addition to considerable correspondence from them. I have heard from the owners of property and private homes on Sussex Street who are concerned about the possibility of the expropriation of that property by the national capital commission. This is a natural concern. I understand these people are reconciled to their property being expropriated if they can be convinced that it is necessary for the beautification of Ottawa as part of the national capital commission plan, but they have heard reports from reliable sources that over the years representatives of the French government have been approaching the appropriate persons in the federal government with a view to having a site expropriated opposite the present French embassy for the building of a chancellery. These people are concerned if property is to be expropriated for that purpose. I understand and there are a number of civil servants who have reason to believe that representations have been made at a high level for the expropriation of property for that purpose.

These people claim there is ample room in the grounds of the French embassy for extra buildings to serve the great and friendly nation of France. I can hardly credit why people should come to me on occasions in respect to such matters as this, but, as I say, I have had correspondence dealing with this question, in addition to a number of visits, and I undertook to raise the matter in the house and ask the minister whether it is correct to say that representations have been made on behalf of the French government in this connection to any department of the government of Canada for the expropriation of certain land for the construction of a chancellery or other building for the French government.

Mr. Walker: I thank the hon. member for Kootenay West for his remarks. The national capital commission over-all plan has for many years envisaged making Sussex drive from the parliament buildings to government house a processional drive or, as I stated at one time, we should like to preserve the good that was there and improve what is not good. This is a plan which has long been outstanding. I can tell the hon. member that as far as any government outside Canada is concerned representations such as he has described have played no part in any such plan. No representations were made by the commission at the time this plan was envisaged. If any formal representations have been made on behalf of any foreign government they have not been made to the national capital commission.

Perhaps I might say one further thing. I am not, in all humility, as the minister responsible for the national capital commission, able to accept credit for the wonderful decorations outside the parliament buildings to help us celebrate Dominion day. However, in all modesty, I can accept congratulations as the Minister of Public Works.

Mr. McIlraith: I have no desire to debate matters having to do with the Department of Public Works, but I cannot help observing that there have been small criticisms of certain actions such as the tearing up of the lovely lawns cared for by the national capital commission. The Department of Public Works has come along to dig ditches, excavate and put in temporary wires. There are all kinds of side issues and altogether the situation is not as happy as the minister would have us think. Perhaps if I press the subject further, Mr. Chairman, you would call me out of order, and I am sure that in the spirit of the holiday no one would like that to happen.

I should like to ask the minister a few questions with regard to the position of chairman of the commission. It is very important, I think the committee would agree, that the chairman of the board should be endowed with a blend of natural qualities. He should be sufficiently artistic to visualize development of an area and at the same time he must be practical enough to be able to carry out the practical work required to be done. Then, above all other capacities, he must be able to co-ordinate his activities with those of the other authorities, provincial and municipal, engaged in his field in such a way as to obtain the greatest effect from the total resources available. It seems to me that all this requires great qualities of mind and character including patience and, indeed, wisdom beyond that given to most of us.

We have had a succession of very fine chairmen of this commission and I hope the one to be appointed in the future will be of the same high calibre. The present chairman has been the general manager of the commission for many years and I think we would all wish to publicly acknowledge the good work he has done over the whole of this period. My understanding is that his present position as chairman is of a temporary nature and that his tenure expires some time this autumn. I assume the minister is not able to tell us at this stage the name of whoever is destined to be his

successor, but if the hon. gentleman has any information on this subject which he feels he can properly release at this time I should be glad to have it.

While I am making reference to the present chairman of the commission in his former capacity as general manager, I might also refer to the fact that we have with us today on the floor of the chamber, I believe, for the first time, the new general manager. I can only say that I wish him well in the years ahead. I wish him all those qualities which are required to carry on this work, not the least of which may be patience.

I do not know whether the minister wishes to answer my questions as they arise. I have one or two more to ask.

Mr. Walker: I shall answer them all at the same time.

Mr. McIlraith: I should appreciate it if the minister could throw some light on this question of the chairmanship of the commission, because I can tell the hon. gentleman that if the appointment is not made before the election there will be appointed a man of the very finest calibre; and I hope that even if the appointment is made before the election the position will be filled by a man of the same qualities.

Mr. Bell (Carleton): May I ask the hon. gentleman this question. If, after the election, he were to find himself unemployed would he be a candidate for the position?

Mr. McIlraith: No. But after the election, my leader authorizes me to say, I shall have the fullest possible say about the appointment of the chairman and he will be of the highest calibre.

I wish to raise another matter having to do with the composition of the board. The composition of the board has been changed from time to time but the latest change made involved the dropping of the representatives of the cities of Ottawa and Hull. While these are only two of many municipalities involved they are the two largest. I like to stress every time I speak on this subject the necessity for good co-ordination and good relationships among the municipal bodies concerned and this commission. I would hope that the minister would consider this point and, overlooking whatever the vicissitudes may be at any given moment in dealing with this subject, would consider submitting to the house an amendment to the act providing that the officers holding the positions of mayor of Hull and mayor of Ottawa be on the commission. That is something of which we should not lose sight and I hope the minister will give it consideration.

There is one other question which I should like to raise. The whole question of expropriation has become increasingly important these last few years as the use of expropriation has increased sharply for national capital commission purposes, for federal public works' purposes, and indeed in the provincial government legislative field, as well as for municipal purposes. This is a difficult subject and there is no doubt at all that experience has revealed many weaknesses in the existing procedure. I had understood that new legislation on this subject was being brought forward at this session. While it has not been brought forward I wonder whether the minister would state exactly what the position of the government is with respect to it. It seems to me that this legislation is overdue and that a statement by the minister should be made at this session. These days when we hear so much about the bill of rights, I sometimes think, in keeping with the spirit of the bill of rights, we might modernize this legislation a bit to bring it more up to date.

Would the minister advise the house what acreage in the green belt development has been acquired and what acreage is yet to be acquired, and, of the acreage yet to be acquired, what portion of it is now under expropriation proceedings, in what area and to what extent is it intended to continue to attempt to negotiate without expropriation? I would ask him to give us the amount paid to date for property acquired for the green belt as well as his estimate of the amount required to complete the acquisition of the balance of the property.

Then, as to Sussex street, I have some specific questions I should like to ask. What is the estimated cost of expropriation of land by the national capital commission between Sussex drive and Thomas street? Is the minister in a position to develop further at this stage the plans for the use of the lands to be expropriated?

Will any of the buildings on the lands to be expropriated be preserved, or is it intended to replace them all? Will the minister clarify the position of the government concerning the future use of this land for embassy sites? There has been talk from time to time, one way and another, on this point and the situation is quite obscure. Perhaps he could clarify it.

Then there is the question that arises as to whether or not any of this area is to be used as a park site. If that is so, would the minister elaborate a bit on the nature of the park development to take place there, and tell us what expected use will be made of that park, bearing in mind its proximity to other park areas, namely, Rockcliffe park.

Has the minister considered the possibility under our housing legislation of proceeding to develop part of the area outside the area being taken by the national capital commission so that the housing standards in that part of the area could be raised? The standards in part of the area now are very good but there are some other areas in close proximity where the standards are not as good as they might be. It seems to me the housing legislation we have would permit of an advantageous use of funds voted under Central Mortgage and Housing Corporation in conjunction with the provinces and municipalities to undertake certain works to bring that adjacent area into better relationship to the proposed new development for Sussex street.

Perhaps at this stage I should give the minister an opportunity to reply to my questions. I have attempted to state them concisely and specifically but I realize they have covered a somewhat wide range.

(Translation):

Mr. Denis: Mr. Chairman, I should like to make one remark to the minister. In my opinion, it is high time that the government put an end to the construction of post offices which look like soap boxes.

I understand that recently the minister called himself the "government's plumber."

I would suggest that he stick to plumbing in the construction of post offices and I would advise him not to seek the advice of the Postmaster General (Mr. Hamilton) on questions of design because, when he did, the results were rather poor.

In addition, I rise on a question of privilege on behalf of plumbers. The minister should not pretend that he is a plumber because those tradesmen are industrious, they have good taste and they are neither arrogant nor proud.

Before calling himself a plumber, I think the minister should ask the plumber's union so that the latter may decide whether he deserves to become one of their numbers.

In conclusion, I would ask the minister not to associate himself with any trade because all those people have marked qualities we admire.

(Text):

Mr. Walker: I want to thank the hon. member for St. Denis for his usual courteous and helpful suggestions. I know my hon. friend is a champion bowler, there is no question about that title. I guess I cannot compete in the same realm, and I admit that.

In reply to my friend the hon. member for Essex West, may I say this—

An hon. Member: You mean Ottawa West.

Mr. Walker: Yes, Ottawa West. Excuse me, but I can never quite get away from the benign influence of the hon. member for Essex East who sits close to the hon. member for Ottawa West.

Mr. Martin (Essex East): I am being very quiet now.

Mr. Walker: In respect to the Expropriation Act I will have to leave it to the Minister of Justice. I have not followed sufficiently close to know whether this legislation is to be brought down this session. I have not seen it on the order paper as yet.

An hon. Member: It is there.

Mr. Walker: I have not noticed it.

Mr. Martin (Essex East): It is a bill introduced by the member for Essex East.

Mr. Walker: That is something new. The acreage to be acquired is 673 parcels of 6,818 acres. We have under option at the present time 72 parcels of 2,860 acres. The amount already purchased involves 598 parcels of 24,722 acres.

The Sussex drive development program, as the hon. member for Ottawa West knows, is still under consideration. When the original Greber plan of the national capital commission, or the federal district commission as it was then called, was brought in some years ago it contemplated embassy sites somewhere along Sussex street. But I can assure the hon. member that during my tenure of office in any event, the national capital commission has made no such plans nor has it come forward with any such plans.

I agree with the hon. member for Ottawa West that we should have a very distinguished man to succeed General Howard Kennedy, of whom I think very highly, and also Mr. A. K. Hay, who has given a lifetime of distinguished service to the national capital commission. Mr. Alan Hay is a wonderful type of man. It is a great credit to any country to have such a public servant. It is through his own insistent request that we shall be forced to allow him to terminate his services as chairman of this commission on September 30 of this year. It was only at our urgent request that he has stayed on as long as he has. I hope by that time to be able to announce to parliament and to the people of Canada the appointment of a distinguished successor who will maintain the excellent tradition established by the former chairmen of this commission.

I was surprised to hear the hon. member for Ottawa West advocating—I take it he was advocating it—the appointment of my distinguished friend and his political enemy, the mayor of Ottawa, to the national capital

commission. If that was what he was doing today it is unique. It shows how broadminded he really is. I can say though that it was our predecessors in office, the St. Laurent government and Mr. St. Laurent himself who insisted that the National Capital Act should be amended so that neither the mayor of Ottawa nor the mayor of Hull would of necessity or as a matter of right be members of this commission. The former prime minister, Mr. St. Laurent, felt that there would be a distinct conflict of interest between the duties of the mayor of Ottawa as such, or the mayor of Hull as such, and the interests of the national capital commission as such. Therefore, section 3 of the act states that as a statutory right Ottawa should have at least two representatives on the commission and Hull one. I think this answers the questions the hon. member asked.

Mr. McIlraith: There is one point I think I should clarify. I refer to the minister's reference to the former prime minister. I think his comment went farther than the facts warrant. I am aware that the draft bill prepared by the previous government did not make provision for the appointment of the mayor of Ottawa and the mayor of Hull as members of the commission. I am aware of that fact but I believe that a more careful examination will indicate to the minister that his other remarks when he was purporting to speak for the former prime minister were not in accordance with the facts. I think he would not wish to leave them just the way they were expressed. I think on examination he will find the facts are more closely as I state them on that point. I am aware that the bill submitted, but not dealt with by the former government, did omit the provision for the appointment for the mayor of Ottawa and the mayor of Hull to the commission, but I am not by any means satisfied that the bill would not have been changed, or that the provision would not have been changed, before or during its submission to the House of Commons. I think the minister will agree with me that it is fair to leave the matter that way.

Mr. Walker: May I say one word there. I think I know whereof I speak. We inherited the draft from the St. Laurent government and all we did was to put it through. This was the suggestion of the former prime minister himself. It was his suggestion that the change I have outlined should take place.

Mr. McIlraith: I thought I made it clear that this clause was in the draft bill prepared by the former government, but to go beyond that and say what the minister has said were the views of the prime minister of Canada at that time is to say something that I think is not in accordance with the facts. It certainly is not in accordance with my understanding and discussion at that time. The minister went beyond what I thought was the position of the prime minister of Canada at that time, who was pretty careful in these things. I do not want to rethresh old straw because I do not think it is germane at the moment. Surely the minister would wish to leave the matter there. My remarks still stand about him giving this matter further consideration in the future. Despite the views the minister may have at the moment I think this must be viewed as a long term matter. We have constantly to keep before us the absolute necessity of effective co-ordination and good working relationships with the councils of all municipalities in the area.

There is one other matter that the minister passed over a bit lightly, namely the Expropriation Act. While technically the Expropriation Act may come under the jurisdiction of the Minister of Justice, it is almost of exclusive concern of the Minister of Public Works because he heads up the two large expropriating bodies in Canada, namely the national capital commission and the Department of Public Works. I would hope that he would concern himself directly with this problem because the legislation does need modernizing. While it may be a difficult subject to deal with I would hope that he would address himself to the problem. I ask him to do so. I remind him that he seems to have overlooked a very important fact in this connection, namely that very early in this session my colleague from Essex East introduced a bill to amend the Expropriation Act in one very important particular. I think I should draw this to the attention of the minister because he seems to have overlooked it. The explanatory note of the bill reads as follows:

> The purpose of this bill is to amend the Expropriation Act so as to require the minister, in the name of the crown, to give notice of intention to all interested parties of the crown's intention to take or acquire lands or any interest therein.
>
> This procedure would be in accordance with the principles recognized and declared in the Canadian Bill of Rights.

On this anniversary of the bill of rights I think the Minister of Public Works would do well to take note of the point raised by my colleague in Bill No. C-63. I hope that he will have it embodied in the new bill when it comes forward.

The Deputy Chairman: Shall the item carry?

Mr. Peters: Before the item carries may I say I have been interested in the remarks of the hon. members from the capital area. I am

sorry there are not more of them with us today because a number of things have been raised today that would be of interest to them and of which the commission should take note.

I congratulate the commission on the work that it has done, particularly in this adventure for citizenship in which the Rotary club and the national capital commission have jointly co-operated because it has given opportunity to members from areas other than those directly connected with the national capital commission jurisdiction to see some of the work and projects that are being undertaken. I also congratulate them on the tour of the national capital commission area which they arranged recently, advantage of which was taken by some members of the house. It provided an opportunity to see some of the developments that are taking place in the area.

I recommend strongly that the request of the hon. member for Ottawa West that Charlotte Whitton be appointed to the commission be given consideration by the government. This might be a hardship on the commission because city council and the board of control have undergone hardship, but I do think there is an obligation to bring together the commission and the city of Ottawa. The beautification of the city of Ottawa and works in that regard are in the main the responsibility of the national capital commission and I think there should be more co-operation with respect to some of the things that are going on in the area.

I support the hon. member for Ottawa West with regard to the matter of expropriation and also the question of how extensive the green belt is going to be. I have received some representations regarding disputes from lawyers in the area involved in certain property deals. Real estate deals are going on continually in what is considered to be the green belt area and these lawyers find that commercial enterprises are being established in an area where it had been indicated that expropriation was going to take place. The hon. member for Carleton does not need to shake his head. The area I am referring to is in the county of Russell across the Rideau river. There is considerable misunderstanding on the part of people there. They are not being allowed to build homes on the land while at the same time motels, golf driving ranges and so on are being established. In my opinion and in the opinion of many of the lawyers involved this has created an opportunity for some people to make money to which they probably should not have been entitled.

I should also like to congratulate the commission on the parks that come under their jurisdiction. I would simply request that they take care that they do not follow the practice of the province of Ontario which has continually increased the entrance fee to its parks over the past few years. If the government is going to provide the commission with close to $9 million this year, the parks should be made available to the largest number of people possible so that they can enjoy the benefits. I do not believe it is expected that these parks will be self sustaining. We intend to continue to spend money for the maintenance and upkeep of these parks because it is not expected that the revenue will be sufficient for that purpose.

There has been a great deal of discussion this afternoon about Sussex street. I think Sussex street is not in too bad shape. What I object to particularly is the condition of Wellington street in front of the parliament buildings. It seems to me that some consideration should be given to this street by the national capital commission because they seem to be one of the very few departments of government that really spend a lot of money, time and effort on planning. If they decide to do something about Wellington street, possibly it is within their jurisdiction to consider the matter of providing parking facilities off parliament hill. There seems to be no reason why they could not erect a building to provide parking facilities for the cars that normally park on the hill. Fees could be collected for the cars stored in such a building. Certainly the people who work here, senators and even members of parliament should be able to pay for parking facilities.

It seems to me that expediency has prevailed over aesthetic values because the hill should be a place of trees, gardens and parks. Many of the little parking lots that have been established on the hill have been placed there as temporary expedients pending the solution of what is obviously a very complicated problem. If the commission were to make a strong enough recommendation for off-the-hill parking, I think arrangements could probably be made for facilities on the other side of Wellington street that would meet my desire to have attractive government buildings on that street and at the same time would be functional as far as parking is concerned. The problem is a temporary one but so far it has not been solved. The amount of parking on the hill is very restricted and cannot be extended to any great extent. In my view the present situation detracts from the appearance of parliament hill.

There is another problem to which I should like the commission to give some consideration. Complaints have been made to me by a number of people respecting certain areas

in Gatineau park. In particular I have reference to the Ottawa ski club area. I have received many complaints from young people that if they want to go into that area in the winter they have to pay a sum of money to enter the area, even though the commission assists in maintaining the roads. I think this problem could easily be eliminated if the commission would sit down with officials of the Ottawa ski club and other organizations similarly involved. I believe that much more co-operative arrangements could be worked out which would serve the needs of the community. It may be that the commission might see fit to buy the Ottawa ski club facilities because it seems to me that they are winter facilities used by the people for their enjoyment in the same way that the facilities of a place like lac Philippe are used by the people in the summer. I think these matters should be given some consideration and I know that if the commission finds these suggestions worth while consideration will be given to them.

Mr. Smith (Lincoln): Mr. Chairman, I should like the minister to explain very briefly what control the national capital commission has over the location and design of new government buildings. I am particularly interested in the national war museum and I have brought up this matter on several occasions. I know that the operation of the museum comes under the Department of Northern Affairs and National Resources and that the matter of a new building would come under the Department of Public Works. However, if the national capital commission has any say as to the location and planning of new buildings, can the minister tell us whether they have any plan in mind for the provision of a new building for the national war museum? I find this is a very popular place with tourists, especially young people, but the present building is certainly too small and does not do justice to many of the fine exhibits there.

Mr. Walker: I shall look into that.

Item agreed to.

The Deputy Chairman: This completes the estimates of the Department of Public Works. We now turn to a consideration of—

Mr. Peters: Mr. Chairman, may I call it six o'clock?

The Deputy Chairman: There would have to be unanimous consent of the committee given to any such direction. Is the committee prepared to give unanimous consent?

Some hon. Members: No.

[Mr. Peters.]

The Deputy Chairman: We turn now to the estimates of the Department of Forestry, item No. 152.

DEPARTMENT OF FORESTRY

152. Departmental administration, $1,090,452.

(Translation):

Mr. Pigeon: Mr. Chairman, the province of Quebec has 25 per cent of Canada's productive forests. Forests are most important to this country. First, they are a source of substantial income for the pulp, paper and lumber industry. Second, there is a close relation between our forests and our waterways, because the former control and regulate the flow of surface waters and at the same time constitute water reserves. Third, they are ideal hunting and fishing grounds. So we must protect our forests.

In addition to the funds spent by the provincial and federal governments through the Minister of Forestry (Mr. Flemming), we have 4-H clubs accomplishing fine work in co-operation with the Quebec government in particular.

Our legislation should me made more stringent in order to put a stop to the negligence of those who are responsible for forest fires.

Second, the sale of Christmas trees should be closely supervised. In my opinion, there is abuse in that field.

Third, our youth should be taught in schools to respect our trees.

I should like to ask the minister whether he has taken steps through his officials or the civil service commission, to recruit forestry engineers or scientists in the universities of the province of Quebec, in view of the fact that there are not enough bilingual civil servants in the forestry department considering the important role which the province of Quebec is called upon to play since it has 25 per cent of Canada's productive forests.

I should also like to ask the minister whether the government intends to appoint, in the near future, a French speaking and bilingual assistant deputy minister to the Department of Forestry.

(Text):

Mr. Badanai: I cannot let the estimates of this important department go by without making a few observations. I rise also to extend to the new minister, or shall I say the first minister, of forestry, my sincere congratulations upon his appointment and best wishes for the successful administration

of a department which is of great importance to my constituency. My constituency is economically dependent, to a very large extent, on forests and forest products.

I had the great pleasure, Mr. Chairman, of introducing the minister to the people of Fort William on his first visit to the lakehead on May 24 when he addressed the Fort William Canadian club. It was a gathering of a cross-section of the business, professional and trades people of both cities, including a special group interested in the forest industry. Measured by the reaction of press, radio and television, the minister's visit was a great success. His speech, which contained promises of plans for rapid expansion of research activities in forest products marketing, was well received. I should say also that his visit provided an excellent opportunity for the minister to get personally acquainted with some of our people directly and indirectly interested in the success of federal forestry policy.

The pulp and paper industry is one of the major employers of labour in our district. The same can be said, of course, for the whole of northwestern Ontario. A great number of our farmers are dependent for a goodly portion of their income upon the operation of woodlots. I express the hope, Mr. Chairman, that the minister, who has many years of practical experience in woods operations, will take into account the welfare of these farmers by rendering some form of federal assistance in marketing their wood. I express the hope, too, that he will explore the possibility for improving production and management as well as the possibility of developing an industry related to farming in forestry. These possibilities should be carefully investigated with a view to bettering rural community life by stabilizing farm population. An aggressive federal Department of Forestry, in co-operation with the provinces, may well undertake these developments with a view to bringing about a new era for the woodlot farmers of Canada.

The government should make credit available to these woodlot farmers to improve their holdings. A better system of approving loans than that which the farm credit corporation used in assessing the value of farm holdings in the district of Thunder bay should be adopted. Because of the distorted method of determining whether or not an applicant is eligible for a loan, very few applicants were able to qualify.

An economic survey of northwestern Ontario issued by the Ontario department of economics contains some very interesting data concerning the income of pulp and paper workers, which is shown to be well above the average for industrial and construction workers. The forests of Thunder bay have built the towns of Red Rock, Terrace Bay, Nipigon, Long Lac and Marathon. There should be no need, really, to stress the importance of the pulp and paper and lumber industries to the well being of Canada. The evidence of this fact is there for everyone to see. The forest industry alone of the great national, basic industries receives no subsidy. It is not seeking any. Yet, when you compare the annual production from the forest industry with the annual production of agriculture and mining, you find without doubt this industry produces the greatest total buying power and contributes vastly more to a favourable trade balance, supports the greatest export trade and produces the largest tax revenues if we combine the taxes levied by both provincial and federal governments.

Our federal government spends approximately $6 million each year on forest administration and research, $25 million on mining administration, research and subsidies; $80 million in agriculture administration, research and subsidies.

What are the revenues from these basic industries? Federal and provincial governments together receive a $230 million annual revenue from agriculture of which they spend $150 million. From the forests these two senior governments receive $275 million of which they spend a combined total of $45 million. From the figures it can be seen that we can afford to be a little more generous towards the basic industry for which we should be very thankful.

Mr. D. W. Ambridge, president of Abitibi Pulp and Paper Company, speaking at the annual lakehead district credit union banquet, recently recounted some of his observations on a recent European tour that he had made as a member of a government delegation to investigate common market countries. Mr. Ambridge made the statement that amazing development was evident in Europe. I wish to quote from the Thursday, June 22 issue of the Fort William *Times Journal* just a few remarks from his address:

"—Today Europe's economy is progressing much faster than ours," he remarked.

He said he was impressed with the close co-operation between government, industry and labour.

"What we've got to realize in Canada . . . is that we have no great ticket to prosperity."

Mr. Ambridge said Finland will soon launch 600,000 tons of newsprint on the world market and has every intention of pushing out Canada. He added the Finns built paper mills with loans from the world bank as a step in alleviating the unemployment situation.

"We have to take note of these things," he urged. "We have to be alive to the fact we can not prosper without effort."

Mr. Macdonnell: Will the hon. member permit a question?

Mr. Badanai: Yes.

Mr. Macdonnell: Will he say who that was he was quoting? I refer to what he has just finished reading.

Mr. Badanai: I was quoting Mr. D. W. Ambridge, president of the Abitibi Pulp and Paper Company.

The reorganization of this department with a minister having practical knowledge of wood species is a progressive step towards a better management of our forests and effective co-ordination of federal and provincial responsibilities for the advancement of a truly Canadian forest policy. Our forests are not inexhaustible. Here I wish to quote from an article written for the Fort William *Times Journal* by someone who had made a study of the forest problems of northwestern Ontario:

> What seems to be lacking is a more scientific approach to reforestation and more centralized planning based on a better knowledge of future markets.
>
> Foresters admit considerable planting is done on a trial basis. If the trees survive, those in charge guessed right. If they don't, the reasons for failure are assessed with a questionable degree of accuracy, and the results recorded.
>
> Research and its practical applications are lagging far behind every day work in the field. Studies of soil, insects and climatic conditions are vital to successful reforestation.
>
> Another aspect is relating types of trees to be planted to markets which can be expected when they mature.
>
> Foresters state the district cut of spruce will soon reach the limits at which the species can be harvested in perpetuity under the present rate of reforestation. A high percentage of spruce is necessary for the making of newsprint.

The forestry industry one of the great national basic industries of Canada, is generally conceded to be making products that are essential to human needs and human progress. Paper is the basis of civilization, the very currency of culture. One could say that paper is the modern salesman, and its use in advertising has permitted the development of mass production. It is the mass medium of advertising products. Notwithstanding radio and television, newspaper advertising is still considered to be the supreme medium by which to convey messages from manufacturers, shopkeepers and dealers to prospective purchasers. I know that newspapers are vital to our civilization. Their influence has changed all merchandising and housekeeping methods, and has changed them for the better. In short, through the pulp and paper industry Canada's forest resources are contributing to human progress both at home and abroad.

This is a country which, more than any other with the possible exception of Sweden, depends on trees for a variety of reasons, and this dependence is being impressed more and more on many people. Trees not only are a means of providing cash income through lumbering operations but they benefit the economy indirectly through tourists and conservation of soil and water.

At a time when Canada is stimulating its economy by boosting its exports, trees play a most important part. If you were to ask what the chief export for this country was, in all probability the average person would answer by saying, "wheat". Actually the export of grain is no longer the No. 1 export commodity on the books of the Department of Trade and Commerce. According to figures released early in the year the value of newsprint exported in the first 11 months of 1960 was well over $700 million or twice the value of wheat exported during the same period. We therefore find great satisfaction in the agreement of the provinces of Quebec, Ontario and New Brunswick to co-ordinate their resources for fighting forest fires.

I have indicated that this is an industry which provides not only a balance to our economy by means of exports, but also jobs for tens of thousands of workers. However, I must warn you, Mr. Chairman, that there are signs which should be disturbing to the Minister of Labour because automation is literally in the woods. I am informed that there is under development a pulpwood harvesting machine which is reputed to be able to climb and bark a full tree, then measure it and cut it to length. It can move forward at a speed of 1½ miles per hour; it weighs 14 tons, requires only one operator and one attendant and haul roads. It will process two 40-foot trees per minute. While it may take a few years for this latest development in automation to take place, such a change will have a considerable effect in the lakehead district which now keeps approximately 10,000 men employed in the bush.

Another disturbing suggestion which has made the rounds is that within 10 or 15 years our pulp and paper industry will face stiff competition from the Soviet union. It is no secret that the U.S.S.R. has extensive forests, particularly in Siberia, the resources of which have never been tapped. Great Britain is already buying lumber from that country and from European countries where forests are more intensively cultivated and managed than in any of our ten provinces and the productivity of which is, consequently, much higher.

I also point out that our best customer for forests products, the United States, has gone into forest planting in a big way. In order that hon. members may have an idea of the scale of this operation, perhaps I should say

first of all that Ontario, which is perhaps one of the most forest conscious provinces of Canada, has a program for the reforestation of 60,000 acres for the year 1961. Forest planting in the United States in 1960 amounted to no less than 2,137,460 acres or 35 times the 1961 Ontario figure and that year was by no means exceptional. The United States foresters are doing a tremendous job. Among the biggest planters in that country were the state of Georgia with 330,196 acres; Florida with 196,963; Louisiana with 190,751; South Carolina, 168,251; Alabama, 186,148; Mississippi, 171,105; and Oregon with 120,597 acres.

I submit that the likely effect of all this forest planting in the United States on our newsprint industry in a few years will be unprecedented competition, and we should be prepared to meet this by doubling our efforts to expand our planting of the types of trees which can successfully compete with the species found in the northern states.

We welcome the statement which the minister made upon the introduction of his estimates to the effect that there is to be an expansion of the money to be devoted to research in the forest industries and into possible new export markets. The need for a considerable expansion in the field of forest product research is urgent. The minister well recognized the importance of this in his statement to the house. It is also an acknowledgement that our forests deserve better recognition. It is to be hoped that the administration will be such that forestry in Canada will be enhanced in all its aspects to benefit, first, the people of the country who are its shareholders and, second, those who depend directly on the forests for their livelihood; and that the pulpwood farmers may receive a fair price for their pulpwood, and fair treatment from provincial governments. In some cases settlers are paying more per cord for wood to the government than pulpwood companies. This is an area into which the minister might well inquire.

I conclude by saying to the minister that we on this side wish him good luck.

Mr. Jung: Mr. Chairman, may I also join with my colleagues in extending congratulations to the minister on his appointment to this very important portfolio of Minister of Forestry. Since his appointment, the minister has visited our province of British Columbia and his speeches have been well received. I wish to assure him that we look forward to seeing more of him.

I wish to say a few words on the need to provide greater and better forest fire protection. In view of the great number of forest fires which are raging across the country at this moment, I suggest that what I have to say can be classed as urgent. British Columbia has a very large stake in timber and in forestry products. The value of our lumber production and saw mill products in 1958 amounted to $356 million according to figures prepared by the dominion bureau of statistics. In 1960 we expect that the value of our lumber production will have reached an astronomical $738 million, an increase of $68 million over 1959. The next most productive province in 1958, by way of comparison, was Quebec with $76 million. It is therefore obvious that forestry is British Columbia's major industry. However, this major industry suffers very greatly each year because of inadequate forest fire protection. On a national basis, the cost of forest fire fighting amounted to $7.7 million in 1958, and the total damage and fire fighting costs for the same year were calculated to be $22.2 million, an amount almost twice the total budget for the Department of Forestry for this year.

We in British Columbia suffered disastrously in 1958 because in that year we had the worst fire season in history. Fire fighting costs and damage amounted to $13 million, almost equal to the total budget for this department. Huge though these sums might be, they still do not take into account such value as damage to soil, streamflow, wildlife, recreation and tourist facilities. Recent events from British Columbia to Newfoundland indicate that this is going to be another very bad year for this country, because the June 24 issue of the Vancouver *Province* devoted almost its entire front page to news about forest fires. The headline was, and I quote: "Huge Water Bomber Crashes, 4 Die". Another headline was "Flying 'Fire Engine' Just a Ghost Now." And then, on the second page were more headlines, and I quote again: "Forest Risk puts 3,000 Out of Work." On the same page was another headline reading: "Newfoundland Fires Drive 2,000 from Homes." If I remember correctly, yesterday's banner from the Toronto *Telegram* read: "Forest Fires Worst in Years."

What, then, can we do to provide adequate fire protection bearing in mind that the major share of the responsibility lies with the provincial government? I think, Mr. Chairman, that the minister should consider the establishment of a national forest fire service similar in concept to our recently established Canadian marine service. This will be composed of a highly mobile fleet of suitable aircraft such as Otters and helicop-

ters. The usefulness of such an airborne fire fighting service has been well demonstrated in the province of Ontario, where up to this present year there has been a steady decrease in the number of forest fires, climaxed in 1959 when only 5,279 acres were burnt over. This figure represents the lowest loss in three decades and it clearly demonstrates what can be done by a program of public education and effective fire fighting measures. Ontario has a fleet of six Otters and 39 Beavers which are specially designed to scoop up water as the aircraft taxis over the lake. The water is then dispersed over the fire in an effective wetting action. In many cases two or three well placed loads have doused the fire to such an extent that an incoming ground crew had only to extinguish the smouldering embers. So effective has been this technique that the fire loss in Ontario has been reduced from an average of 75 acres per fire in the 1949-58 decade to an average of five acres per fire in 1959.

We in British Columbia have had similar good results with water bombing. The water bomber which crashed on June 24 started its work in very dramatic fashion. On June 17, one week before it crashed, the Vancouver *Province* carried the following article:

> Water bomber proves worth by hitting fire
>
> The big Martin Mars water bomber passed its first real test Friday when nearly 50,000 gallons were dropped on a difficult forest fire at Espinosa inlet, near Tahsis, on Vancouver island.
>
> It made eight drops to dampen and cool the fire sufficiently to allow ground crews in to control it.
>
> The fire, on three acres of a steep, narrow valley in an operation of the Stoltze and Sons Logging Company Limited, was fanned by strong winds and quickly covered about 40 acres.

This technique of containment emphasizes that there must be two ingredients for effective fire protection, namely, early spotting of the fire, and immediate preventive action by air, followed by prompt action by ground personnel. Because ground personnel must be brought in to ensure that the fire is completely out, I suggest that helicopters should be an integral part of the national forest fire service.

I think that the establishment of such a service is well within the resources of the federal government. I note that approximately $6.8 million will be contributed this year to the provinces for fire protection, forest inventory, reforestry action and other aspects of forest management. Twenty four Otters with spare parts would cost only $3.6 million. We could have these aircraft stationed across Canada at strategic locations. More might be necessary, but 24 would be a very good start. We could enter an agreement with the provinces concerned to fly and maintain the aircraft, or we could assume full responsibility for this service and reduce the yearly grants which we would make in the future to the provinces.

I can envisage all sorts of interesting arrangements being worked out with the provinces. For example, the provinces could provide the helicopters and the manpower required to deal with the fires on the ground because obtaining crews could be accomplished more easily by the local authorities. If we had an effective air fire service then fires would be checked in their early stages. We would not require the large number of men required in the past, some of whom were not trained in this activity and were often commandeered to do this type of thing. A small highly trained corps of fire fighters working in conjunction with the air service which I have suggested should go a long way toward reducing the damage caused by forest fires.

The minister announced in Nanaimo in April of this year that army and air force personnel would be available to help fight forest fires. I am pleased with that announcement, particularly as I urged this move last year during the debate on the estimates of the Department of National Defence. However, I have had second thoughts on this proposal because, if we were to use service personnel and aircraft not specifically designed for fire fighting we might be depriving the armed forces of men and equipment at a time when they should be deployed elsewhere. However, until such time as we do establish an alternative we, of course, welcome the assistance of the army and the air force. None the less, I think that a separate service is preferable, and my suggestion of creating a national forest fire service has the advantage of providing not only a further stimulus to our aircraft industry but also something which is of particular and urgent national need.

(Translation):

Mr. Clermont: Mr. Chairman, we are at present on item No. 1 of the estimates of the new Department of Forestry. Some would have preferred it to be named the "Department of Forest Research" or "Department of Silviculture" since paragraph 5 of section 92 of the British North America Act gives the

provinces the exclusive power to administer as they see fit the forests within their boundaries and the federal government has responsibility in that field only as concerns the administration of forests in the Northwest Territories and the Yukon. Pursuant to Bill C-82, clause 6, 1960, an act respecting the Department of Forestry, the federal government:

> Shall provide for the conduct of research relating to the protection, management and utilization of the forest resources;
>
> May undertake, promote or recommend measures for the encouragement of public co-operation in the protection and wise use of the forest resources. With the approval of the governor in council, may enter into agreements with the government of any province, etc.—

Mr. Chairman, forest industry occupies a most important position in the economy of my riding, of the province of Quebec and Canada as a whole.

It gives me pleasure to congratulate the first incumbent of the portfolio of the new Department of Forestry, the hon. member for Royal (Mr. Flemming) and I know that he has had practical experience in the production and marketing of forest products.

Mr. Chairman, over 40 per cent of the total area of the ten provinces is productive forest lands. It is nearly four times the area under cultivation, which gives an idea of the extent of our forest resources.

The pulp and paper industry is Canada's foremost manufacturing industry, and the lumbering, plywood and veneer industries are also very important.

Those industries are spread out across Canada from coast to coast, and apart from producing materials of great value, they rank among our main sources of employment.

Mr. Chairman, wood, wood products and paper are responsible for a much greater part of Canada's active trade balance than any other group of goods registered in federal statistics. Moreover, a considerable part of this active trade balance is made up of American funds.

In September 1959, the world food and agricultural organization produced a report on paper and paper products and stated, in brief, that the demand for paper and paper products, which was of the order of 56 million metric tons in 1955, would reach 88 million metric tons by 1965 and 134 million metric tons by 1975.

Mr. Chairman, Canada now supplies approximately 16 per cent of the world demand. If we want to maintain that share, we shall have to sell 14 million metric tons by 1965, which means raising our production by 50 per cent in relation to the basic year 1955. Around 1975, we will have to supply 21 million metric tons, which means raising our production by 123 per cent in relation to the basic year.

Mr. Chairman, I should like to refer to the introduction, on page 1, of "The Outlook for the Canadian Forest Industries", published in March 1957 by the royal commission on Canada's economic prospects, and I quote:

> Even in Canada, few realize the country's dependence upon its forest resources. Great construction projects, especially in connection with power, metal mining, oil and, recently, natural gas, have received great publicity. Yet they are small by comparison. Today, one of every 12 Canadians working in the nation's goods-producing industries is concerned with forestry or the manufacture of forest products. More than one third of Canada's total export earnings comes from the sale elsewhere of logs, paper, wood pulp, and lumber and its related products. Of all the manufacturing industries in Canada, that of pulp and paper stands first in terms of wages paid, first in new investment and first in net value of output. Its production in dollar terms is greater than that of the nation's wheat crop; more than twice that of all the nation's metal mines. In 1954, Canada's saw mills, with the second largest industrial wage bill, ran third in export earnings and fourth in net value of production.

Mr. Chairman, at this point of our discussion on the estimates of the Department of Forestry, I should like to give some figures concerning the forest industry, first of all with regard to the number of establishments, and then with regard to the number of people employed in those industries and the salaries and wages paid. Those figures, which relate to the year 1959, were given to me by the dominion bureau of statistics, forest products division.

Mr. Chairman, the first figures I quote are in relation to the whole of Canada and the second to the province of Quebec which I represent here like other hon. members.

In 1959, the lumber industry in Canada comprised 8,885 different firms, 1,575 of which were in the province of Quebec.

As far as the pulp and paper industry is concerned, we had 127 mills in Canada, of which 54 were located in Quebec.

Canadian industries using wood as their raw material numbered 4,079 of which 1,504 were in Quebec.

Veneer and plywood plants numbered 72 in Canada and 24 in the province of Quebec.

The following figures, Mr. Chairman, concern the number of persons employed as well as the salaries and wages paid by those industries.

As far as the forest industry proper is concerned, the number of employees in 1959, equalled 82,551 men in a single year, for a total amount of salaries and wages of $347,406,000. For the same industry, we had in the province of Quebec, for the equivalent of a year, 30,850 employees who earned a total of $117,741,000.

In 1959, there were 65,028 people working in the pulp and paper industry and the total salaries paid out was $322,311,000. As for the province of Quebec, there were 27,239 employees who earned a total of $131,913,000.

In 1959, 48,659 people derived their livelihood from the lumber industry in Canada and the total salaries paid out by that industry amounted to $144,759,000. For the same period, that industry employed 7,963 people in the province of Quebec and paid a total of $16,900,070 in salaries.

There were in the country 11,607 people with gross earnings of $40,600,058 in the veneer and plywood industry. In the province of Quebec, that industry ensured the livelihood of 2,609 people and paid out a total of $7.3 million in salaries.

In 1958, there were 73,159 people employed in the industry where wood is used as a raw material; they earned $226,882,000. The corresponding figures for the province of Quebec were 23,464 employees and $64,636,000.

Mr. Chairman, the forest industry is most important in the riding of Labelle which I represent in this house. On March 23 last, I stated in the house, as reported on page 3284 of *Hansard*, during consideration of another department's estimates, that many farmers of my riding have to work in the forest industry to supplement the insufficiency of the income they get from the sale of their agricultural products. That industry employs several thousand people. There is a veneer and plywood mill in Mont Laurier, a furniture manufacture in L'Annonciation and, in Thurso, where I live, a pulp and paper mill and a cabinet-making department. Besides, there are several saw mills, planing mills and sash and door manufacturers elsewhere.

Mr. Chairman, I should like to say a word about the sale and distribution of forestry products. I regret that the federal government has not seen fit to take action on a recommendation we find on page 669 of the third report of the mines, forests and waters committee which was tabled in the house on July 4, 1959 and which reads as follows:

> Your committee feels that Canada cannot afford to neglect the vast potential Asiatic markets for the sale of lumber and pulpwood. It recommends that open-minded negotiations be undertaken with those countries. Our traditional share of the British and American markets is undergoing a change and we should look into the situation. Your committee recommends the establishment of a sales branch within the proposed forestry department. Such a branch would second the efforts of the Department of Trade and Commerce to promote the sale of our wood products.

Mr. Chairman, the sale of lumber and of our veneer and plywood products faces stronger competition on our traditional markets in the United States and in the United Kingdom.

In the United Kingdom our soft lumber has to compete with the products of the Soviet block and the Scandinavian countries. Besides having to compete in Europe against trade areas such as the common market, the outer seven, the Soviet bloc and others which are developing over there, in order to remove tariff barriers within their territories where services, labour and capital will be able to move as if there were no international boundaries, it is to be expected that tariff barriers will be set up against the countries which are not part of the areas concerned.

Mr. Chairman, in order to show the importance of our forest product exports, I shall quote figures given to me by the forestry division of the dominion bureau of statistics.

In 1959, we exported to Great Britain 671,359,000 f.b.m. of timber, or a total value of $53,052,264. In the same year, we exported to the United States 3,485,512,000 f.b.m. of timber, or a total value of $259,581,652. For the same year, our exports of plywood to the United Kingdom reached 1,517,000 f.b.m., valued at $41,337, while our exports to the United States reached 495,343,000 f.b.m., or $16,973,153.

Again in 1959, we exported to the United Kingdom 155,298,000 f.b.m. of plywood, averaging three quarters of an inch thick, for a value of $10,476,336. During the same year, we exported 28,814,000 f.b.m. of plywood of a total value of $4,596,826 to the U.S.

Mr. Chairman, as far as our domestic markets and the sales of our soft and hardwood species are concerned, it is a well known fact that when construction is up, so is the demand for our wood products. But as family housing construction declined last year, our lumber producers were also affected.

At this point of my remarks, and in relation with the competition on the lumber market, I should like to quote an excerpt from the report of the royal commission on Canada's economic prospects:

To assume that the marketing of Canadian forest products will present no serious problem would be naive.

Then there is also the possibility that the manufacture of newsprint and other pulps from alternative materials will become an economic reality; that potential markets in a number of relatively underdeveloped countries will be shut off by the erection there of newsprint mills based on extensive local resources such as bagasse (sugar-cane waste) or tropical hardwoods—

But the most disconcerting question mark of all has to do with the possible competition of countries behind the iron curtain and especially Russia whose forest resources are tremendous.

Mr. Chairman, I see on pages 225 and 226 of the estimates for the fiscal year ending March 31, 1962, that the number of civil servants in the administrative branch of the Department of Forestry has increased from 110 in 1960-61 to 188 in 1961-62. I should hope that French speaking or bilingual employees are in adequate number to give satisfaction and justice to the thousands of French speaking Canadians engaged in the production of forest products in Quebec.

Mr. Chairman, in March 1961, the Minister of Forestry announced the appointment of the following senior officials in his department: Mr. H. W. Beall, Ottawa, executive director of the new department; Mr. J. H. Jenkins, Vancouver, director of research on forest products; Mr. D. R. Redmond, Upper Musquodoboit, N.S., director of forestry research and Mr. M. L. Prebble, Saint John, N.B., director of forest entomology and pathology.

I should like to quote a few excerpts from an editoral written by Mr. Jean Taillefer, parliamentary reporter of *Le Droit*, under the title: "A matter of efficiency". This article appeared in *Le Droit* of March 13, 1961. I quote:

It is to be noted, though, that no one from Quebec has been appointed to any of the higher positions.

The lack of Quebec representation is all the more surprising since forestry is one of the main industries of that province. It ranks second on a national scale, having 88,000 square miles of developed forest land. Only Ontario, with 101,000 square miles has more forest land than Quebec. Can we, therefore, believe that Quebec has no experts in that field?

Why is it so important to have bilingual personnel? For a very simple reason, which has nothing to do with emotionalism—efficiency.

Mr. Chairman, it should not be forgotten that the province of Quebec has a great number of French speaking forest producers, operating on a medium or a small scale, and I hope that the minister will see to it that somebody from Quebec is appointed when other important appointments are made in his department.

(Text):

Mr. MacLellan: Mr. Chairman, I was very pleased to note the increase in forestry over the last year, which coincides with the time that the new minister has been in office. We from the maritime area were very proud to see a member from our area take the portfolio of forestry. We recognize that in the minister who now holds that post we have a man who knows the forest industry and is very interested in the development of what is one of our most important Atlantic industries.

I have before me an article in the Cape Breton *Post* of Friday December 30, 1960, referring to a speech by Mr. R. M. Fowler, the president of the Canadian Pulp and Paper Association and the newsprint association of Canada. In the article Mr. Fowler is reported as having said that 1960 was a very good year in forestry and his figures showed an increase of 5 per cent in the output of the Canadian pulp and paper industry last year. Mr. Fowler also pointed out that newsprint production in 1960 was a record at about 6,735,000 tons, 4 per cent above the previous high of 1956. Quoting Mr. Fowler, the article goes on to say:

This increase was the largest shown in any of the last 13 years and was more than the modest amount of new productive capacity which became available in Canada during the year. As a result, newsprint operating ratios averaged about 88.5 per cent compared with 85 per cent of a smaller capacity in 1959.

He also went on to point out that shipments overseas were almost 20 per cent higher than in 1959, with increases to the United Kingdom, Australia and South America being particularly large. Speaking of the future he said that he expected to see substantial increases in the markets for Canadian newsprint and paper products generally.

The matter of forestry is very important to me because in my riding at the present time there is being constructed a pulp mill which will have a marked effect upon the province of Nova Scotia in the years ahead. In 1959, at the invitation of the government of Nova Scotia and with the assistance provided by the government, Stora Kopperberg

of Sweden and the Scott Paper people of the United States combined to form Nova Scotia Pulp Limited and began construction of a $40 million mill. The target date for the operation of the mill is January, 1962. The mill will produce 250 tons per day and 125,000 tons a year of high grade pulp. It will utilize 250,000 cords a year of eight-foot pulpwood sticks, almost 800 cords a day and at peak times some 2,000 cords a day. If this pulpwood were stacked in a continuous four-foot pile, it would be some 380 miles long. It would extend from Cape North in Inverness county to Yarmouth at the other end of the province. Most of the wood, it is estimated, will come from the seven eastern counties of Nova Scotia where there are some 3.3 million acres of productive forest land. About 1 million of these acres are owned by the crown in the right of the province and the balance is privately owned.

One of the reasons the provincial government was so interested in bringing Stora Kopperberg into the province was that this firm had been, for many years, operating in Sweden and had learned there the most modern and best ways of forest management. Under its contract with the province, it will set up a proper forest management operation on the crown lands and will assist private woodlot owners in every way possible to farm their wood lands in the most productive manner in terms of the pulp which will be needed in the years ahead. Under the plan divisional foresters will be set up at New Glasgow, Port Hawkesbury and Baddeck.

The impact of this new mill upon the economy of the province can be illustrated by the fact that the pulp cut in Nova Scotia in 1958 was some 270,874 cords, and in 1959 was 288,029 cords. If we add to this the 250,000 cords that will be required by Nova Scotia Pulp Limited each year, it will be seen that the new mill will almost double the demand for pulpwood in the province of Nova Scotia. It has been estimated that the new money involved, in the hands of the people cutting pulp alone, will be in excess of some $10 million a year. In addition to the new market which has been developed this way in eastern Nova Scotia, over the last year we have seen a very marked increase in the demand for pulpwood for export. New markets have opened up in Europe, particularly in western Germany and shipments are being made now from Louisburg and it is proposed there will be some from Whycocomagh in Inverness county. I have before the Minister of Public Works now proposals to provide special wharfage facilities at Whycocomagh, Louisburg and Port Hastings to facilitate the shipment of this pulp. I hope that something can be provided at these centres as soon as possible to assist this rapidly growing industry.

I notice that all members when speaking on the estimates of this department referred to the necessity, in terms of the future of Canada, of forest management plans which will provide for the very substantial need for forest products in the future. There was a time when Canada could afford to waste its forest products, but that time has now gone. We must look forward in the years ahead to ensuring that we have a sufficient cut to meet the new markets and the new demands which are opening up. Apropos of that, Mr. Chairman, I would point out that in the province of Nova Scotia, more than in any other province, this is a particularly important question. I spoke a moment ago of the large market for pulpwood there will be in the province after January, 1962.

It is interesting to note that Nova Scotia has a rather small productive forested land compared with other provinces. Nova Scotia has some 9,668,000 acres of productive forested land. Our neighbours in New Brunswick have some 15,237,000 acres. Nova Scotia has less than 10 per cent of the forested land of Quebec where there is over 140 million acres of productive forested land. The province of Ontario has some 106 million acres of forested land. It will be seen that the necessity for forest management and the preservation of our forests, is much more important and urgent in Nova Scotia than in any other part of Canada because in our province trees are scarcer than elsewhere in relation to the demand that is now developing for pulpwood and for forest products in general. In Nova Scotia every tree must be properly utilized in the years ahead.

However, Mr. Chairman, the difficulties of forest management in Nova Scotia are greater than they are in the other provinces. In Nova Scotia, there is a relatively small part of the forested area which is owned by the crown. About 20 per cent of the forested area in Nova Scotia is crown land. This can be contrasted with about 50 per cent crown ownership in New Brunswick and some 90 per cent in the province of Quebec. The putting into operation of plans for forest management and tree farming is much easier, of course, in provinces where large acreages are owned by the crown and arrangements can easily be made for the development of publicly owned land. The job is much more difficult where, as in Nova Scotia, the task is to bring to the attention of private woodlot owners how important modern woodlot management is for immediate use and for the preservation of our forests for the future. This is a very difficult problem which will

have to be worked out between the province and the woodlot owners. However, we will have the leadership of Nova Scotia Pulp Limited in solving this problem, and they have some of the best experts in the world in the field of forest management.

I was very pleased, Mr. Chairman, to see the quick way in which the new Department of Forestry, under this new minister, has responded to the need for the development of better forestry practices in Canada, and has generally stimulated the forest industry. The program whereby this government pays 50 per cent of the cost of access roads to be built into timberlands will be particularly helpful in Nova Scotia. I understand that under the program now in effect some 130 miles of boundary line in Inverness county will be cleaned out, some 90 miles in Richmond county, about 90 miles in Cape Breton county and similar mileages in other counties in eastern Nova Scotia. This will facilitate forest management, the preservation of the forest in case of forest fire, and generally give access to the timberlands for the development of better timber operations. While fire is a very dangerous thing in any part of Canada, it is particularly to be feared in Nova Scotia where our forests are so small in relation to the market that is to be developed in the province. I note that 50 per cent of the cost of the equipment for fire protection is now provided by the Department of Forestry. I hope that close liaison will continue between the department of lands and forests in Nova Scotia and the federal Department of Forestry in providing better forest protection in the province of Nova Scotia. The department of lands and forests under the able administration of the Hon. E. Haliburton in Nova Scotia, has a big job ahead in the organizational work which must be done to help the woodlot owners provide the pulpwood for the new mill. As I have said, it represents a doubling of last year's pulpwood cut.

The province will have to initiate an extensive project of education among the private woodlot owners. I think this should be in two forms. There should certainly be adult education among the farmers who own woodlots now directed toward efficient woodlot management and there should be education in the schools so that our young people will learn proper forest management techniques. Above all, our young people should learn to appreciate the need for proper forest management in the province. I was very pleased to note the special grant that has been provided by the Department of Forestry for emergency work in Cape Breton Island in the months immediately ahead, when extra work will be needed because of the unfortunate mine closings. The money set aside to be used along with the contributions of the department of lands and forests in Nova Scotia will certainly give a big impetus to the work that the provinces must do in establishing a satisfactory forestry corps, in providing trees that can be planted on privately owned lands and otherwise in the development of woodlot management practice.

I know it is not within the authority of the federal department to originate very much in a direct way in forestry management practices as this is a matter under the authority and aegis of the province. However, I should like to see the minister do everything he can to assist Nova Scotia in the big job that is ahead in the establishment of illustration stations to teach forest management methods in woodland replanting and so on. Certainly as I watch this new industry mushrooming in the province and realize what a great boom it will give to all of eastern Nova Scotia, it is with particular pleasure that I see as head of the federal Department of Forestry such a good friend of Nova Scotia and such a well known, warmly liked and respected leader from the maritime provinces.

Mr. Peters: I hope the minister this afternoon, in introducing his estimates for the first time in this new department, will take into consideration some of the officials he has in the gallery and see to it that they are rewarded for having to be here on July 1 which normally should be a holiday for them.

I also hope the minister will take into consideration some of the remarks that have been made, particularly those by such veteran foresters as the hon. member for Kootenay West who is probably one of the only members of the committee who is completely familiar with modernization in the forest industry, controlling and operating as he does a large tract of forest that is not subject to any of the abuses that occur in my area. He has told me on a number of occasions that his land will now produce more lumber than it did when he first started to operate that forest. That certainly is not the situation in my part of the country. This is one of the reasons why I am so pleased that this ministry has been set up and why I suggest that consideration should be given to that type of forest control.

I was very much surprised a few years ago to find that a company with which I was negotiating on behalf of their workers informed me that they expected to be out of that area in five years. The reason I was surprised was that this operation had been continuing under the same company for

something over 40 years. It seemed to me that if they had cut that long ago on their first limit, they would soon be ready to go back and to start recutting the area which they had previously cut over. I think this was a legitimate hope, and the hope that most Canadians have, namely that our forest industry, because it is renewable, has renewed itself and that we have as much forest today as we had many years ago.

In this case the manager had practised many of the best forms of forest culture without going into such things as assisting nature in reforestation which many of these operators have said is of no value. However, he informed me that it will be at least 90 years before they will be able to make any economical cut of lumber off the first limits this company went over. This seems to me to be something which should be of immediate importance to the department and about which they should try to do something right away.

We have listened many times to those who are interested in silviculture tell us that the forest will regenerate in those areas where reforestation has taken place, that reforestation is a natural thing and that there is not any necessity to help nature along. For those who say this and who think this, may I say that all they have to do is to look a few miles from the city of Ottawa or up the Ottawa valley. They may be surprised to find what has happened to the white pine industry that years ago gave this region such security when it was thought this forest would be perpetual. They only have to look up the Ottawa valley now and note the very limited forests and stands of white pine.

It is quite true that in my area of northern Ontario red pine and jack pine will have a certain amount of regeneration themselves. But because this is a renewable resource, because it is one of the resources that we have and can leave to our children, it behooves us not only to leave it in as good shape as we received it but to leave it in much better shape, and to give consideration to the needs that are already apparent and will become increasingly apparent as the years go by.

This means, of course, that we must concentrate on conservation, and that we must use some of the other resources. We must look to the maintaining and conserving of our water and water resources or we are not going to be able to reforest many of these areas which the Minister of Agriculture now hopes will be brought under an agricultural program for reforestation. If we do not practise conservation in some of the allied fields, this is not going to be possible and we are going to find that the land which has been cut over—and quite a bit of it in northern Ontario is now completely barren—will grow only scrub forest products for many years to come and that it will be another generation or two before anything of any value is produced in those areas.

I know of one small area where the timber was burnt over and jack pine came up. One of the sad parts of the situation is this. Those interested in silviculture would say that so many seeds germinated in that area and so many live trees were produced per square foot or per square yard whatever they measure it by; and while this was true, those trees reached a height of only 10 feet or 12 feet. They were a very poor type of tree. Fire got into them and they were burnt to the ground. In five or six years they came up again. By this time the trees that had burnt and fallen as a result of the previous fire, again caught fire. This is the sort of thing that has been going on. It has happened three or four times in my lifetime. There is nothing growing in that particular area and it has produced absolutely nothing.

This department has many facets, in my opinion. It has many opportunities to do a great deal of good for Canada and for the Canadian people, and the least of them is not the tourist industry. Of course, the problem we are going to have with a federal forestry department is that it is competing with terrifically rich provincial counterparts. The one in Ontario is probably the most expensive department we have. It is a department that does not take in enough money to pay for its expenditures. It is a particular department that has all types of public facilities for spreading its doctrine or its information. Its educational field is almost unlimited. The federal government is, without doubt, going to have trouble in co-ordinating some of the activities of these departments. One of them would be the problem with the tourist industry. It has been maintained by bush operators that if you allow the tourists in, of course, they will create terrific fire hazards and the limits will suffer as a result of tourist travelling through the bush. However, we have in Ontario, I am sure, been able to solve this to a great extent by having fire ratings, and I am pleased to note that the federal government is now co-ordinating these fire services and fire protection services through the forest research division.

We have found that if you post a rating to the tourist industry and the rating remains medium, the difficulties, for which it does not follow the tourists are responsible, seem to be eliminated to an extent. The travelling of the tourist population through the forests does as much good as it does harm, in my

opinion, because the tourists then see the advantages of forest control, the need for reforestation and the need for roads and other facilities. I hope to live to see the day when many of these areas which are now well cut over, and particularly those which are not, but which are in the process of being cut, may be driven into by car. I hope to see the day when we shall find permanent residences in the forests, and permanent towns, and when the forests will be managed in such a way that we shall have a sustained yield in perpetuity. This can be done, and it has been done in other countries. There is no reason why we should not begin at once working towards perpetuity in the yield of our forest products.

This involves more than the maintenance of the forests. It may be necessary to change the type of tree which we have produced, as has been necessary in the United States. It may be that in a few years we shall have to plant trees of the type they have been planting in some of the southern states and these can be adapted to our climate. Many of these trees can be used in the production of pulp and paper. They have short life span. They will produce much faster than the trees we now use. It is true they produce an inferior grade of paper, but the advantage of the rapid growth and the rapid production of these trees may make it necessary for the department to be aware of their potential and the adaptability of these trees to our area.

There is another field which affects us in northern Ontario and that is in relation to the utilization of forest products. Our white pine industry has had between a 60 per cent and 65 per cent utilization of its products. In other countries it is reported that the utilization sometimes goes up as high as 100 per cent or 98 per cent. They even utilize the leaves, in some cases, they tell me, and put them to some use. In northern Ontario in recent years we have been able to take advantage of developments that are taking place in countries such as Sweden. Some of our manufacturers have gone to Sweden and to Germany and have been able to buy equipment in those countries and learn the know-how necessary to operate plants, and they are now producing a number of varieties of wood products which are not in competition with the lumber industry. Abitibi is to be congratulated on this, particularly on the development of their chip board plant at Sturgeon Falls. The Jamar Plywood company at Sturgeon Falls has been using poplar wood for making veneer. They are now using a birch veneer face and producing an exceptionally nice type of plywood which is readily saleable at reasonable prices. In previous years in areas that were cut over either the birch was cut and left on the ground or it was not cut at all, and many of the old trees, when the spruce and pine were cut down, died because the protection was taken away from them. Those trees that are now useable are being used for this type of veneer. This has produced a whole new industry and provided employment for a great number of employees who could not be employed in the only other industry, that of mining. So, if the government is watching these developments, as are many in the lumbermen's association, the Ontario provincial forestry department and other associations, I am quite sure processes can be developed which will lead to a much greater utilization of our forest resources. This would, of course, also assist in developing and promoting new industries and new types of products such as we have seen develop in the last few years.

I do not know how much work the federal government has done in the past in relation to some of these projects. I was interested in the process which A. J. McFadden were using of taking very short step lumber from their white pine mill, short pieces which would otherwise be useless because of their size, cutting out anything which was of no use and putting them together by an electronic glue process, producing a board four by eight or four by 12 or four by 16. This produced an acceptable product, one suitable for a number of uses. They immediately ran into the problem of maintaining the same moisture content on one side of the board as on the other. It was used for external purposes. The government, it seems to me, could have given them a great deal of assistance at first if they had been active in this particular field.

The federal government, also through the forestry branch, could give more assistance than has been available to the lumber industry in the marketing of lumber products. In eastern Canada, in eastern Ontario, we have been plagued in recent years by the fact that traditional markets in the United States and Asia were lost, in the main, to the west coast. They were immediately in competition with producers in eastern Canada. It appears to me that the federal government, through their own department, in this way will be able to assess much better than it has in the past the necessity of developing a market in China and in the other countries of Asia for the lumber that is produced on the west coast. This lumber, if it is dumped out of its traditional markets into eastern Canada, will seriously affect the prices both of eastern and western lumber.

The hon. member for Vancouver Centre referred to fire control. This has become one of the greatest blights of the forest industry.

It is one that can eliminate a complete limit, so that a company almost overnight loses its means of survival. Weather, electrical storms, factors over which man has no control at all are playing a great role in this field. I was interested in the hon. member's suggestion that we should use more aircraft, and that we should bring this activity under federal control. I hope the hon. member is right, but I should be very surprised if the federal government is in any position to do anything about fire control in the provincial field unless it be through an increase in the contributions to the provinces in this particular field. It seems to me that fires can be fought only by people on the ground. If these individuals are not placed at the scene of the fire as quickly as possible the fire gets out of control and very little can be done about it at that stage.

I recommend to the government that rather than going into a program of buying aircraft to be used in a national fire protection service, it should increase its appropriations to the provinces, assisting them to continue the work now being done. In my opinion most of the provinces, although I can really only speak for the two, in regard to which I have made observations, are doing a great deal in this field and have proven capable of carrying on, unless of course a province is hit by a disaster such as appears to have hit the province of Newfoundland. The fire prevention techniques used there have had little effect. People there are being accused of setting the fires deliberately for the purpose of creating work. Similar accusations have been made in respect of the province of Ontario, as well as other provinces.

I think this area of fighting forest fires is one in which the federal government should make more contributions. I agree with the hon. member for Vancouver Centre when he suggests army personnel should be used wherever possible and when the necessity arises, but I suggest the army is not the best agency in this regard. While the army contains a readily available force and its personnel are capable of taking orders and doing the job, which is not the case very often in respect to men who are commandeered in areas to fight fires, it is not the most effective agency which could be used. Incidentally, among the individuals commandeered to fight fires in specific areas are included white collar workers and the like who are not accustomed to using shovels and the other tools, such as pumps, used to fight fires, and do not make good fire fighters even in cases of emergency. I do agree that army personnel should be used but suggest, however, that the major contribution this government could make toward fire fighting lies in the field of research and the provision of assistance to the provinces.

One of the last subjects to which I wish to refer has relation to a government agency such as the industrial development bank through which financial assistance can be given to companies not in a position to expend the necessary amounts of money for the installation of efficient fire fighting equipment. Many mills now operating in the province of Ontario are poorly equipped in this regard, and perhaps not sufficiently informed as to the proper use of the equipment they have so as to make full use of it, or the equipment which they might acquire if funds were made available for that purpose.

This department can give assistance to these companies in two ways. First, by conducting a survey regarding the anticipated yield over the next few years which these different mills should enjoy. In other words, the department should help these companies assess their anticipated yields and instruct them in the efficient and advantageous operation of their mills in this regard.

For example, in northern Ontario there are a number of portable mills in operation. They are usually put in on a limited cut basis and under normal circumstances take only the cream of the crop leaving the rest standing in the area. As a result it is not advantageous for anyone else to come in and service the limit as I believe it should be serviced. It might be much more advantageous to these companies to put in mills even smaller than portable mills. The portable mills now in use are portable only in the sense that they can be moved with a great deal of effort by truck, but some of them in my area cut up to 100,000 feet per day. I am sure the minister will agree that type of mill is not portable in the normal sense.

The modernization program which I have suggested can be undertaken only if the companies involved are provided with new sources of money. I suggest that in many cases they do not possess the necessary information to convince the officials of the industrial development bank that their operations are such to warrant the lending of the amount of money required.

They are not in possession of that type of information only because they have neglected to hire accountants and agents to provide them with it. Officials of this department or other experts are much more able to assess the situation and make recommendations which, if followed, could possibly lead to the continuation of a successful industry upon which communities have depended for many years.

I hope the minister in closing the debate will indicate that he is receiving co-operation from provincial governments in the implementation of this necessarily continuous program in an attempt to perpetuate the yield from this type of operation so that those industries which have failed in the past years can be rejuvenated and put back into production with resultant benefit to the communities which have depended upon them for their livelihood.

Mr. Herridge: Mr. Chairman, I regret very much that I have to rise on a question of privilege in connection with certain remarks made by the hon. member for Timiskaming in referring to the member for Kootenay West. In view of that hon. member's kindly and glowing references to my forestry activities I should not like the impression created that I am in any sense of the word a capitalist, because I am a socialist.

Some hon. Members: Oh, oh.

Mr. Herridge: I am a socialist who looks upon himself as a trustee for the nation until the advent of democratic socialism.

Mr. Bell (Saint John-Albert): Mr. Chairman, may I ask the hon. member a question. Would the description feudal lord be a little more appropriate?

Mr. Peters: Mr. Chairman, I did not intend that my remarks be construed to mean that anyone connected with the forest industry was a capitalist. I should think anyone interested in that field would be well aware of the fact that most socialistic countries manage their forests in a very efficient manner. I believe the hon. member for Kootenay West is advocating a program followed by most socialist countries—Sweden is a good example—of up to date, advantageous and efficient forestry control.

Mr. Pickersgill: Mr. Chairman, I cannot compete with the hon. member for Kootenay West either as a member of the feudal class or as a socialist, because my connection with the forest industry was quite a long time ago and highly proletarian. I worked in a box factory once at Norwood for 20 cents per hour.

Some hon. Members: Oh, oh.

Mr. Pickersgill: And subsequently spent a summer timber cruising at $35 per month.

An hon. Member: You were overpaid.

Mr. Pickersgill: That was quite a long time ago when the dollar stretched much further than it does at the present time.

I did not intend to speak on this subject but am prompted to do so after listening to the hon. member for Inverness-Richmond, because I want to reinforce an excellent point he made. Before doing that I should like to say a word or two about an observation made by the hon. member for Timiskaming.

It so happens, as every hon. member of this house knows, that there have been very serious fires in my constituency which actually destroyed some of the houses in one of the settlements and threatened the total existence of a great many others. Happily the rain we had there two or three days ago seems to have removed the threat. Unless there is a good deal more rain—and there has been very little in Newfoundland since a year ago this spring—that threat is bound to persist.

The appeal made by the hon. member for Timiskaming, and possibly by other hon. members when I was not in the chamber is one in which I should like to join heartily. I believe that anything the new Department of Forestry can do to aid in research into more effective methods of fighting fires will be one of the most productive expenditures of public money that can possibly be made in this country because it still happens, notwithstanding our great mineral wealth and all the other resources of this country, that the two greatest crops we grow in Canada are trees and grain; and if we look after our basic soil and our basic resources we can continue to grow them for all time. It seems that this year, because of weather conditions, both of them are seriously threatened. We know that millions and millions of dollars of public funds have been expended over the years in research into the various aspects of the wheat industry, and we know that all that has been spent has been more than repaid many times over in additional returns not merely to the farmers but to the whole Canadian economy. The forest industry is, I suppose, today the biggest single source of income to the Canadian people as a whole if we look at all of its ramifications. It is indeed fitting that at this time we should be recognizing that fact by having a separate department of government, though we all recognize that the jurisdiction that belongs to this department as compared with the jurisdiction of the provinces is very limited indeed. For my part I am not going to expect the minister to work miracles. He, of course has a very real personal knowledge —a lifetime knowledge—of the forest industry himself, and though I do not agree with his politics, I find him an agreeable person. Although I do not expect miracles, I am sure he is going to bring that practical experience to the administration of his department and mix it with the scientific knowledge that already exists and the great

scientific knowledge that we hope will be developed in the years to come.

I am not going to make a general discourse about the industry. What I rose to do was to speak about two things: One was this fire situation which in the province of Newfoundland—and apparently in some of the other provinces as well because there have been very serious fires in northern Ontario, in Manitoba, and in British Columbia—is serious indeed. We do know that these forest fires do not destroy the timber; at least they do not always destroy it or they do not generally destroy it. We also know that the greatest possible care has to be taken to harvest that timber at the right time after there has been a fire, and sometimes exceptional measures must be taken to do that. I am speaking now particularly of Newfoundland. I admit that this will primarily be a problem for the provincial government and for the two paper companies and the other interests that have title or leases. The situation will vary in each particular case. I plead with the department to give, as I am sure they can and intend to, every possible co-operation to the government of Newfoundland and to the government of any other province that needs it in ensuring that the burnt timber will be harvested at the right time and in the most effective way so that we can minimize to the greatest degree possible this very serious loss that there is going to be in any event. No one in the circumstances we have had in this last little while could have done more than was done.

In this context, sir, perhaps you would permit me to say that I think everyone in the area concerned appreciated enormously the ready co-operation of the armed forces of Canada, of the armed forces of the United States which were most helpful in the area, and also the generous and unsolicited co-operation extended by the government of the province of Quebec, the only province which really has a common boundary with the province of Newfoundland and which has a great deal of effective fire fighting equipment, some of which was made available. As the member for the district in which those fires took place I should like to say that this help from the government of Canada, the government of the United States and the government of Quebec was deeply appreciated by the people and will not be forgotten.

I rose also to say a word or two about the subject mentioned by the hon. member for Inverness-Richmond. He pointed out that in addition to this new mill in Cape Breton there was also developing in Europe a market for pulpwood, and that is true. He appealed to the minister, though, of course, it is not directly this minister's responsibility, to offer his support to any steps that might be required to provide shipping facilities for that pulpwood. Actually the minister—and I am glad he is in the house and can hear me—who would have to provide those facilities is the Minister of Public Works. But this minister has not the same intimate relationship, either officially or in his past experience of forestry, that the Minister of Forestry has, and I am sure he will be the first to admit it. But there is not any question whatsoever that all over eastern Canada—and I am sure the Minister of Forestry knows this also—there is a great deal of over-mature timber which the pulp and paper companies have not been able to absorb because it was not as conveniently situated or for some other reason, and which should be cut as quickly as possible or it is going not merely to perish itself but do harm to the forest because if over-mature timber is allowed to stand and then to fall I am told it is a much greater prey to disease than is young healthy timber. This is of the utmost importance.

I admit that in the management of those forests the provinces and the companies concerned have the prime responsibility. But particularly in some of the provinces which are anxious to have federal co-operation there is a great deal that a wise federal department can do to help. I thing I can say, although I am not in any way authorized to speak for the provincial authority, that in Newfoundland there will be a ready welcome for any assistance that the minister and his department are able to offer in this respect.

I should like to say also, sir, just as I said to the Minister of Public Works the other day when his estimates were before the house—I think it bears repetition because the point is exactly that which the hon. member for Inverness-Richmond was seeking to make as well—it so happens that a wharf had to be replaced in the northern part of my riding because it had been there for many years and it had rotted away. It was going to cost a very large sum of money. I confess when the project came before me as a member of the previous government I gasped a little at the amount in relation to the size of the place and wondered whether it was really going to return—not to the treasury, because those wharves do not return perhaps very much to the treasury, but to the economy—an amount commensurate with the cost. A wharf was built by the present government at a place called Carmanville and millions of cords of pulpwood that no one had any idea were going to be cut and shipped over that wharf are being shipped over it to Italy at this very moment and a good price is being received. This is wood

that is surplus to the requirements of either the companies in Newfoundland. It is wood that is mostly over-mature and that would be a dead loss to the Canadian economy if it were not cut. In that whole strait shore area of my constituency it has kept dozens of men and their families off unemployment insurance and off relief in the past winter.

There is another area in my riding called Goose bay, not the Goose Bay in Labrador but Goose bay on the island of Newfoundland, where a similar operation is about to commence. In this particular area around a settlement called Lethbridge, not that more recent place in Alberta which is perhaps somewhat better known but the original Lethbridge, there is a great deal of timber that should also be cut and salvaged before it becomes over-mature. A useful industry can be developed there that will do for that area what has been done by the development at Carmanville, but a wharf somewhere in that bay is going to be needed in order to make it possible to ship that timber economically.

I know this is not the minister's responsibility, but I am suggesting to him that he give his colleague, the Minister of Public Works, a nudge every once in a while to find out whether that minister's engineers are really working hard enough at this project and getting ahead with it. It is for that reason that I rose to speak. I am often labelled in this house as a free trader, but I know that we would all rather have our pulpwood wholly processed in Canada instead of shipping it as pulpwood, but the minister knows and I know that if we have not got the plant to do it and we have over-mature wood for which there is a cash market we are crazy not to take it.

With the great prosperity that has developed in Europe as a result of the common market and with the vastly increased market there, there is a chance for us in eastern Canada to have a good cash crop, such as the wheat crop has been in the past to the west, that will help to tide us over until the time when we can get processing plants in eastern Canada to process all the wood there. The fact that this wood is being produced and that means are being found to produce it and ship it would encourage people to come in there with capital and build processing plants. I suggest that any and every kind of encouragement that the Minister of Forestry gives, both within the cabinet and with the provincial governments of the eastern provinces, particularly the province of Newfoundland, will be very welcome indeed and will, I am sure, bring a great return to the Canadian economy.

Mr. Keays: May I ask the hon. member a question? Does the province of Newfoundland permit the export of wood cut on crown lands?

Mr. Pickersgill: It is permitted but under very strict control as, of course, there should be. We do not want young growing timber exported before its time, but in Newfoundland, as I am sure is the case in practically all the other provinces, there is the most rigorous kind of forest management applied, and I would not advocate anything else.

Mr. Smith (Lincoln): Mr. Chairman, my remarks at this time will be rather brief. I should like to extend my congratulations and best wishes to the minister on his assumption of this highly important portfolio. In the Niagara peninsula we do not have any forests and we have very few woodlots. However, we have eight paper mills, some of which are very large, and the supply of pulpwood is most important to us. It comes in by boat and it also comes in by rail.

A great deal has been said today about pulpwood so I will not deal with that matter but I should like to bring to the attention of the minister the scarcity of hardwood which is becoming acute in the province of Ontario. Just recently the seaway authority had reason to purchase substantial quantities of oak timbers and they were just not to be found in this country. As a result, on three occasions large orders for oak timbers had to go to the United States.

I bring to the attention of the minister the need to take action as to this problem. I am thinking in terms of trees such as oak, ash, beech and hickory which used to grow extensively in the province of Ontario but at the present time seem to be almost dying out. There are other kinds of valuable trees such as the sycamore, plane tree, basswood and hard chestnut which are almost things of the past. I feel that attention should be given to trying to bring trees of this type into production again.

I should also like to refer to our shade trees. Too often we see trees planted along city streets and around houses that are just not suitable from the point of view of growing and becoming proper shade trees. When one visits some of the old estates in Ontario one will see beautiful trees growing there of types that are almost extinct in other parts of the country.

In conjunction with the department of lands and forests of the province I believe the minister should give consideration to the three points I have mentioned, the scarcity of hardwood timber in the province of Ontario, the scarcity of special trees such as basswood, chestnut and walnut, which

used to grow in great profusion and are now almost a thing of the past, and the matter of shade trees because they too are not receiving the attention that they should. Varieties that are most suitable for planting are sometimes hard to get.

(Translation):

Mr. Denis: Mr. Chairman, may I congratulate the Minister of Forestry (Mr. Flemming). No doubt it was because of his great qualities that he was appointed minister immediately after his election to the House of Commons. I should think he has been quite lucky to find a job after losing the one he had in his province of New Brunswick. My only wish is, that Canada's unemployed could find jobs as easily as the Minister of Forestry.

Unfortunately for him, his employment will not last very long, I am afraid, since following the next general election, he will have to be satisfied, if he is not defeated, with being a private member.

Mr. Pigeon: What about Restigouche-Madawaska?

Mr. Denis: However, I want to warn the minister that he will experience much difficulty in the discharge of his duties, because about half the amounts the house has to vote for the good administration of his department are related to joint agreements. The minister undoubtedly knows that all the Conservative members of parliament from the province of Quebec have criticized the joint agreements in their province. He is also aware of the fact that those gentlemen have voted in favour of those estimates. Indeed, they are always in favour of them in Ottawa and against them in the province of Quebec. That is their way of gaining popularity and winning elections at all costs.

Mr. Pigeon: Could I ask the hon. member a question, Mr. Chairman?

Mr. Denis: Mr. Chairman, I should like to tell the story of the speaker who was asked, during a political meeting, whether he was for or against prohibition. He replied: "Some of my friends are in favour of prohibition, others are against, and I support my friends."

The Conservative members from the province of Quebec adopted the same attitude when they wholeheartedly supported—

(Text):

Mr. Keays: On a point of order, Mr. Chairman, may I ask the hon. member whether he is confusing "timbre" and timber?

[Mr. Smith (Lincoln).]

(Translation):

Mr. Denis: Mr. Chairman, I want to convince the house that the Minister of Forestry will find it quite difficult to get along with members from Quebec, since they criticize outside this house half the budget that the house is called upon to vote. They used to do it at the time of the Union Nationale. I would like to have the following information from the Minister of Forestry. As I told him, he is intelligent and hard working, so I am sure he will be glad to give us these statistics.

I should like the minister to tell us what amount has been spent by the federal government in all the provinces, under items 153 and 154, since those agreements with the provinces came into effect.

I want the people to know how much money the province of Quebec has lost as a result of that famous attitude held by some people of my province, that joint agreements should be refused because they were presumed to encroach upon provincial autonomy.

I should like the minister to tell us how much this false understanding of automomy cost us. In addition, I should like to know whether, since it came into power, the new Liberal government of the province of Quebec has accepted to participate in joint agreements to get its share of the money spent in Ottawa and which derives from the taxes paid not only by the people of Quebec but by those of the other provinces.

I should like the Minister of Forestry to give us the statistics on joint agreements from the beginning.

I see that last year and in the previous years there was another item concerning joint agreements for the control of bud worms and other insects. I understand the government made payments in this connection to various provinces. At least, I know New Brunswick received some every year, or almost every year, as the Minister of Forestry undoubtedly is aware, since he was the premier of that province. He also knows that New Brunswick forests are next to or very close to those of Quebec.

I should like the minister to tell the house what amounts were paid New Brunswick for insect control, and how much Quebec received from Ottawa in that connection, because in the years past that pest plagued Quebec forests and my impression is that the cost of the air spraying done then was borne exclusively by the private companies and by the province of Quebec.

Therefore, I should appreciate it to learn from the Minister of Forestry what are the amounts received by the province of Quebec through joint agreements on assistance to fight disease due to insects or cutworm.

I take this opportunity to wish him once more every success in his department. Like the other speakers who preceded me, I deplore the fact that he did not give French Canadians a fair share of higher positions, especially when the Quebec forest industry ranks among the most important in this country. It would only have been decent and normal to appoint to the higher echelons of that department a few French Canadians or at least Canadians who know and talk French.

(Text):

The Deputy Chairman: Shall vote 152 carry?

(Translation):

Mr. Denis: Mr. Chairman, I should like, if possible, to get from the officials of the minister the information I asked concerning the amount of money paid under joint agreements under items 153 and 154 as well as the item on assistance to control tree diseases. There is no such item this year but the Department of Forestry is authorized I believe to make arrangements with the various provinces to assist in fighting those diseases.

(Text):

Mr. Flemming (Royal): I think in a moment or two I would be able to give the hon. gentleman the information which he has just requested concerning the amount of money paid under these various headings to the province of Quebec. However, it will take a few minutes to get it ready.

Mr. Denis: Since the inception of the agreement, not only this year but last year.

Mr. Flemming (Royal): I think we can furnish the information.

The Deputy Chairman: Perhaps the committee would like to pass a few items while we are waiting.

Mr. Denis: No.

The Deputy Chairman: Shall we stand this item?

Mr. Habel: No.

(Translation):

Mr. Chairman, since the minister is taking a few minutes to find those figures, I would like to tell him that we were pleased to see the setting up of a department of forestry. Like previous speakers, I hope the minister, who is said to be an expert in that field, will find a means of making an important contribution to the conservation of Canadian forests, which are no doubt one of the main resources we have in Canada.

At this stage, I should like to pay tribute to two paper companies located in my constituency. For several years those companies have been experimenting with reforestation. The Spruce Falls Pulp & Paper Company, for example, has a whole experimentation establishment at Moonbeam; I think the Minister of Forestry would find highly interesting a visit to that establishment which started several years ago and whose results are said to be extraordinary. I should like to mention also the Abitibi Pulp & Paper Company which operates wood limits in my constituency and which also looks after reforestation.

No doubt both firms will be happy to know that the government has decided to set up a department of forestry. However, like the hon. member for Beauce (Mr. Racine), I regret that when a delegation came to meet the minister recently, it was not found possible to raise the amount of the grant to that organization, to enable it to pursue research in reforestation.

I hope the minister will be able to sway his colleagues in the cabinet in order that in a future budget—if the minister is still in office—a favourable reply can be given to the Ontario forestry association.

(Text):

Mr. Flemming (Royal): The information which the hon. gentleman from St. Denis requested is that Quebec is participating in fire protection and in all access road agreements at the present time. It has never asked for or received any money for spruce budworm spraying. Total contributions to all provinces up to now under these general headings mentioned by the hon. gentleman has been $18,-801,302. The amount that has been paid to Quebec this year is $464,438.86. The total amount paid for spruce budworm spraying in New Brunswick since inception of that plan, which as the hon. gentleman has stated has been in operation since 1951 I believe, has been $4,224,967 and the payment to British Columbia was $83,927. Speaking in general

terms, the total amount paid for budworm spraying in New Brunswick since that pest made its appearance there has been something of the order of $12 million.

Mr. Denis: Does the amount of $18 million include the two items, No. 153 and No. 154.

Mr. Flemming (Royal): The answer is yes. It also includes the access roads for this year which is something in the order of $4 million.

Item agreed to.

153. Contributions to the provinces for assistance in forest inventory, reforestation and forest fire protection in accordance with agreements entered into by Canada and the provinces, $2,650,000.

Mr. Peters: How extensive a program is expected to be undertaken in forest inventory by the federal department? A number of years ago a complete inventory was taken in the province of Saskatchewan. This inventory allowed them to decide what they had to do for their forest industry. They can now relate their current inventory to that previous inventory and find what position they are in with relation to it. Is there any intention of doing in that field a complete national inventory by provinces as of 1961?

Mr. Flemming (Royal): The amount to be paid for the sharing of this inventory or the cost of inventory this year is $796,000. That is for the current year.

Mr. Peters: How extensive an operation is that going to be? When you finish it with one of the provinces, will that be the complete physical inventory of the forest in that province or is this just a continuous thing that we put money into, a partial inventory?

Mr. Flemming (Royal): I am informed that in the initial year something like 1,100,000 square miles was completely inventoried by seven provinces across Canada. Since that time we have continued to participate and the recommendation is that we shall continue to participate to the extent of 50 per cent of the cost, although it may be necessary that an over-all saving be applied since we feel that this is work of such a nature that it should be fairly well continued year after year. May I mention this additional point. I am sure the committee will be interested to know that the establishment of a pulp mill in Nova Scotia, the point raised by the hon. member for Inverness-Richmond was partially at least due to the fact that up to date, almost up to the minute inventory information was available to those people who were interested in establishing that plant at that time.

Mr. Denis: The minister just mentioned the amount of money paid to the province of Quebec by virtue of those joint agreements. Will he be good enough to tell us in what years those amounts were paid to the province of Quebec.

Mr. Flemming (Royal): The answer is the current fiscal year.

Item agreed to.

155. Grant to Canadian forestry association, $20,000.

Mr. Peters: I believe all Ontario members probably received the letter from the Ontario forestry association in which they point out the terms of reference of the department itself. They ask that the annual grant of $20,000 be increased to $100,000. I will not go into the particulars, but they point out that the Ontario government contributes $10,000. They also point out that their total budget is something over $1 million annually, that the members donate $472,000 and that the federal government contribution at the present time amounts to only 4 per cent of the total. They have requested that this grant be increased to $100,000. Has the minister given consideration to this request from the Ontario forestry association? If so, is there contemplation of supplementing this grant through supplementary estimates?

Mr. Flemming (Royal): In answer to the hon. member for Timiskaming I would say that in the estimates for the fiscal year—not the current one but the next one—the department is giving very careful consideration to the request of the Canadian forestry association. It is not contemplated that there will be any additional item except the $20,000 during the current year.

Item agreed to.

Forest research branch—

157. Construction or acquisition of buildings, works, land and equipment, $367,725.

Mr. Peters: What is the progress with regard to the buildings that we now have and are now assembling for the department? What progress are we making on the location?

Mr. Flemming (Royal): If we had a little bit more time, I think we could get the information as to just where the acquisition is contemplated. I shall be glad to get the information and send it to the hon. member. Oh, I have it now. It comes under various items. I wonder whether I could mail the total to my hon. friend so that he would have all the information about the matter. There is another item. The same thing is listed under another heading. We should be glad to give the information now but it would take time to sort it out.

Item agreed to.

The Chairman: That completes the estimates of the Department of Forestry.

Resolutions adopted in committee of supply this day reported and concurred in.

BUSINESS OF THE HOUSE

Mr. Denis: May I ask the leader of the house to be more gentle with me than with some of my colleagues and tell me the business of the house for next week?

Mr. Churchill: A courteous question requires a courteous reply. I am happy to inform the hon. member that on Monday we shall begin with Bill No. C-92 which has to do with the Criminal Code and consider an amendment suggested by the Senate. The second item would be the bill to amend the Excise Act.

Mr. Martin (Essex East): The Excise Tax Act.

Mr. Churchill: No. I am addressing my remarks to the hon. member for St. Denis. The Excise Act. The third item would be the bill to amend the Excise Tax Act. The next would be the bill to amend the Customs Tariff followed by the amendment to the Industrial Development Bank Act.

We shall have available on Monday the resolution with regard to the Canadian National Railway finances which, by consent, could be considered that day. After that would be the act respecting the civil service of Canada and then Bill No. C-72, an act to amend the Customs Tariff.

Mr. Martin (Essex East): What about the Income Tax Act?

Mr. Churchill: I doubt whether we shall be able to reach it on Monday.

Mr. Martin (Essex East): Is it clear that on Tuesday we shall definitely take up, as the Minister said on Friday, the Bank of Canada Act?

Mr. Churchill: That is correct. On Tuesday we shall deal with any unfinished items from Monday's order of business, for example, the C.N.R. financing bill if it passes the resolution stage. I presume the Income Tax Act would then become available, so it is obvious now it would be possible to complete the business next week.

Mr. Martin (Essex East): I wish to make sure that the Bank of Canada Act will definitely come up on Tuesday. Is that clear?

Mr. Churchill: That is right.

It being five minutes past six o'clock, the house adjourned, without question put, pursuant to special order.

Supply—Items Passed

[The following items were passed in committee of supply]:

DEPARTMENT OF PUBLIC WORKS

374. Additional amount for housing research and community planning as contemplated by part V of the National Housing Act, 1954, and to authorize commitments against future years in the amount of $585,900, $1,649,000.

National capital commission—
(formerly under privy council)

375. Operation and maintenance of parks, parkways and grounds adjoining government buildings at Ottawa and Hull, and general administration, $2,311,240.

376. Interest charges on outstanding loans that were made for the purpose of acquiring property in the national capital region, $1,400,000.

377. Payment to the national capital fund, $5,100,000.

Central Mortgage and Housing Corporation—

488. Advances to Central Mortgage and Housing Corporation for the purposes of subsection (1) of section 37 of the National Housing Act, 1954, in respect of planning the development of corporation owned land, $115,000.

National capital commission—

489. Loans to the national capital commission in accordance with section 16 of the National Capital Act for the purpose of acquiring property in the national capital region, excluding property being acquired for the purpose of establishing what is commonly referred to as the "Greenbelt", $2,300,000.

490. Loans to the national capital commission, in the current and subsequent fiscal years, in accordance with section 16 of the National Capital Act for the purpose of acquiring property in that area of the national capital region commonly referred to as the "Greenbelt", $8,000,000.

577. To reimburse Central Mortgage and Housing Corporation for losses sustained by it during the fiscal year 1960-61 as a result of the operation of federal-provincial projects undertaken under section 36 of the National Housing Act, 1954, $253,790.

Loans, investments and advances—

Public Works—

Central Mortgage and Housing Corporation—

601. Advances pursuant to sub-section (4) of section 36 of the National Housing Act, 1954, in respect of housing and land development projects undertaken jointly with the governments of the provinces during the fiscal year 1960-61, $12,500,000.

DEPARTMENT OF FORESTRY

152. Departmental administration, $1,090,452.

153. Contributions to the provinces for assistance in forest inventory, reforestation and forest fire protection in accordance with agreements entered into by Canada and the provinces, $2,650,000.

154. Contributions to the provinces, pursuant to agreements entered into with the approval of the governor in council, by Canada and the provinces, of amounts equal to one half of the amounts confirmed by the provinces as having been spent by them in establishing forest access roads and trails for the attainment of adequate fire protection as well as other aspects of forest management, $4,170,000.

155. Grant to Canadian forestry association, $20,000.

Forest research branch—

156. Operation and maintenance, $1,949,410.

157. Construction or acquisition of buildings, works, land and equipment, $367,725.

Forest entomology and pathology branch—

158. Operation and maintenance including $11,600 for grants in aid of forestry research, $3,258,429.

159. Construction or acquisition of buildings, works, land and equipment, $773,768.

Forest products research branch—

160. Operation and maintenance, $1,103,298.

161. Construction or acquisition of buildings, works, land and equipment, $81,345.

527. Contribution to the province of New Brunswick for assistance in a program designed to combat the spruce budworm infestation, in accordance with an agreement entered into by Canada and the province, $500,000.

Forest research branch—

528. Construction or acquisition of buildings, works, land and equipment—further amount required, $63,000.

608. Contribution to Nova Scotia, in accordance with such terms and conditions as the governor in council may approve, in respect of a program of forest stand improvement which will provide employment in Cape Breton, $280,000.

HOUSE OF COMMONS

Monday, July 3, 1961

The house met at 11 a.m.

BILL OF RIGHTS

AMENDMENT RESPECTING NATURALIZED CANADIAN CITIZENS

Hon. J. W. Pickersgill (Bonavista-Twillingate) moved for leave to introduce Bill No. C-119, to amend the Canadian Bill of Rights.

Some hon. Members: Explain.

Mr. Pickersgill: Mr. Speaker, this bill is being introduced at the present time because I have recently had my attention drawn to the case of a naturalized Canadian citizen of German origin with a Canadian born wife and three Canadian born children who is obliged to live abroad by the nature of his employment as one of the greatest living authorities in his field. Unless the law is changed this Canadian citizen will be deprived of his citizenship under section 18 of the citizenship act, though no similar penalty would attach to a natural born Canadian citizen in the same circumstances.

The effect of the bill, if passed, would be to place naturalized citizens on a basis of complete legal equality with natural born citizens of Canada. Since all parties in the house have at one time or another advocated equality of Canadian citizenship, and since the present law works an injustice against naturalized citizens, I would hope that the house might see fit to dispose of this bill favourably before the present session is concluded.

Mr. Speaker: Order. The hon. member's explanation is now becoming advocacy of the bill. I think he should limit himself to explanation.

Hon. E. D. Fulton (Minister of Justice): At the risk of lengthening the explanation, may I ask the hon. gentleman if there are any other purposes, effects or implications of the bill he proposes to introduce.

Mr. Pickersgill: I had intended to add that I hoped the Minister of Citizenship and Immigration, until this bill has been disposed of by parliament, would not deprive any Canadian of citizenship under section 18 of the act. That was all I had intended to add.

Mr. Fulton: And there are no other effects or implications?

Mr. Pickersgill: I will not give a legal interpretation. The minister can do that himself.

Motion agreed to and bill read the first time.

INCOME TAX ACT

Hon. Donald M. Fleming (Minister of Finance) moved for leave to introduce Bill No. C-120, to amend the Income Tax Act.

He said: Pursuant to the report of the committee of ways and means which was adopted in the house on Friday, June 30, I ask leave now to introduce a bill to amend the Income Tax Act.

Mr. Speaker: Is it the pleasure of the house that the hon. member shall have leave to present the said bill?

Hon. J. W. Pickersgill (Bonavista-Twillingate): Before the minister is given leave, I wonder whether I could ask him if the bill is ready for distribution in both official languages.

Mr. Fleming (Eglinton): I understand that the bill is ready for distribution. I speak subject to correction with regard to the French edition, but I will make immediate inquiries. I know there are copies of the bill in English immediately available.

Mr. W. M. Benidickson (Kenora-Rainy River): In view of the approach of the adjournment of this session, may I ask what is in the bill that was not announced in the budget resolutions?

Mr. Fleming (Eglinton): The hon. member will have a copy of the bill in a moment, and I think that would be the best way to meet his inquiry. The bill is the usual type of bill to amend the Income Tax Act following the budget resolutions.

Motion agreed to and bill read the first time.

CANADIAN CENTENNIAL

PROVISION FOR NATIONAL CORPORATION, NATIONAL CONFERENCE, ETC.

Right Hon. J. G. Diefenbaker (Prime Minister) moved that the house go into committee at the next sitting to consider the following resolution, which has been recommended to the house by His Excellency:

Motion for Papers

That it is expedient to introduce a measure respecting the observance of the centennial of confederation in Canada and in relation thereto,—

1. To provide for the constitution of a corporation called the national centennial administration;
2. To provide for the establishment of a national conference on Canada's centennial;
3. To provide for the objects, purposes and powers of the administration and of the conference; and
4. To enact such financial provisions as may be necessary to accomplish the purposes of the act.

Motion agreed to.

CANADIAN NATIONAL RAILWAYS

PROVISION FOR CAPITAL EXPENDITURES, ISSUE OF SECURITIES, ETC.

Hon. Donald M. Fleming (Minister of Finance) moved that the house go into committee of the whole later this day to consider the following proposed resolution, which has been recommended to the house by His Excellency:

That it is expedient to bring in a measure to authorize the Canadian National Railway Company to make capital expenditures in the year 1961 not exceeding $178,900,000 and to make certain capital expenditures and enter into certain contracts prior to July 1, 1962; to authorize the national company to issue securities to provide amounts required for the authorized expenditures; to provide that, except as expressly provided, the aggregate principal amount of securities outstanding at any time shall not exceed $76,800,000; to authorize the governor in council to guarantee the principal and interest of securities issued by the company for the purpose aforesaid; to authorize the Minister of Finance to make loans to the said company secured by such securities and not exceeding $76,800,000 in principal amount to enable the said company to meet such expenditures and with authority to give financial aid and assistance to other companies of the national system; and to provide further in respect of the refunding of matured, maturing and callable obligations of the said company, for the issue of securities guaranteed by the Dominion of Canada, to an aggregate principal amount not exceeding $230,000,000 in lieu of the present amount of $200,000,000.

Mr. Speaker: Has the minister unanimous consent to move this motion?

Some hon. Members: Agreed.

Motion agreed to.

MOTION FOR PAPERS

COLUMBIA RIVER POWER DEVELOPMENT

Motion No. 154—**Mr. McIlraith:**

For a copy of all correspondence exchanged between the Minister of Justice and the minister of lands and forests of the province of British Columbia on the subject of the Columbia river power development since January 1, 1961.

Hon. E. D. Fulton (Minister of Justice): Mr. Speaker, I would have to express some reservations with regard to this motion. The greater part of the correspondence referred to relates to details which it was understood would have to be determined between Canada and British Columbia before the treaty could be brought into effect, and it would not be appropriate to produce such correspondence at this stage. However, there is some correspondence not of a confidential nature, being formal advice to British Columbia of the conclusion of negotiations and our intention to sign the treaty with their knowledge and approval, and their acknowledgment of this correspondence.

I would be prepared to accept this motion and, subject to ascertaining the attitude of the British Columbia government, produce the correspondence I latterly referred to.

Mr. Speaker: Does the hon. member accept the reservation expressed by the minister?

Mr. McIlraith: Yes, Mr. Speaker.

Mr. Speaker: Subject to the limitation expressed by the Minister of Justice, is it the pleasure of the house to adopt the motion?

Some hon. Members: Agreed.

Motion agreed to.

PUBLIC SERVICE

ANNOUNCEMENT OF RESIGNATION OF UNDER SECRETARY OF STATE

On the orders of the day:

Hon. Lionel Chevrier (Laurier): Mr. Speaker, may I direct a question to the Prime Minister and ask whether it is a fact that the under secretary of state has handed in his resignation and, if so, on what date?

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, the other day when a question was asked in this regard I said I had no knowledge of this matter. I became aware only on Saturday that the resignation was being considered. I received today a letter dated July 1, 1961, written by the under secretary of state, and with the leave of the house I shall read that letter:

Ottawa, July 1, 1961

Dear Mr. Prime Minister,

As I wish to return to private practice of law, I hereby tender to you, and through you, to his excellency the governor general in council, my resignation, to become effective on September 5, 1961, as under secretary of state and deputy registrar general and also as member of the copyright appeal board. I would refer in this connection to sections 3 (1) and 6 (1) of the Department of State Act, c. 77 R.S.C. 1952, to section 50 of the Copyright Act, c. 55 R.S.C. 1952, to order in council P.C. 265, of January 19, 1949 and to order in council P.C. 2283, of May 9, 1949.

As the Secretary of State well knows, the only reason for my resignation is my desire to take advantage of an offer, which I consider quite interesting, to return to law practice. I think I can say that my relations with you, with my minister

and his predecessors and with the government generally and my own colleagues have been excellent. No wonder, therefore, that it was with considerable hesitation and regret that I took the decision which I did. I shall always cherish the memory of my nearly twenty-three years' service with the government of Canada (more than ten in the Department of Justice and the rest in the Department of the Secretary of State), to which I owe invaluable training and knowledge.

I would like, incidentally, to take this opportunity to thank you and the government for the recent increase in my salary. It is perhaps an unfortunate coincidence that I reached my decision to resign soon thereafter.

I sincerely thank you, sir, and your colleagues for the confidence with which you have honoured me.

Yours very truly,
Charles Stein.

P.S.: Though I have marked this letter "Confidential", I need hardly say that, as far as I am concerned, you are quite at liberty, sir, to quote it publicly in whole or in part, should you deem it appropriate.

AGRICULTURE

PRAIRIE PROVINCES—REQUEST FOR DECLARATION AS DISASTER AREA

On the orders of the day:

Mr. Hazen Argue (Assiniboia): There is a question I should like to direct to the Prime Minister.

Some hon. Members: Oh, oh.

Mr. Argue: Perhaps I should be concerned, Mr. Speaker, that the welcome back seems stronger from one part of the house than from the other.

An hon. Member: How long are you staying?

Mr. Argue: I have a question that I should like to direct to the Prime Minister. In view of the national emergency which the disastrous crop conditions in the prairie provinces constitute, will the government consider declaring this a disaster area so that additional moneys may be paid to farmers who suffer total crop loss as well as to livestock producers who also suffer widespread loss of income?

Right Hon. J. G. Diefenbaker (Prime Minister): Lest there be any misunderstanding, Mr. Speaker, may I say that I join in the welcome by the opposition to the hon. gentleman newly returned from the fields of prophecy.

Concerning the western situation may I say that during his absence—his enforced absence, I know—this matter has received very full consideration. On Sunday, representatives of the federal government, namely the Minister of Agriculture and the Minister of National Defence, met with the ministers of agriculture of the three western provinces. The whole situation is being carefully canvassed and considered.

Mr. Argue: If I may do so, I should like to put my question in another away. Has the government given any consideration to declaring this a disaster area so that in addition to prairie farm assistance, moneys may be paid to farmers directly? I do not recall any statement having been made on this point.

Mr. Diefenbaker: The matter is not a novelty. It has been raised previously. All these matters are under consideration.

FIRES

NORTHWESTERN ONTARIO—INQUIRY AS TO FEDERAL ASSISTANCE

On the orders of the day:

Mr. Hubert Badanai (Fort William): Mr. Speaker, I wish to direct a question to the Minister of Forestry. In view of the disastrous fires raging in the forests of northwestern Ontario, with half a million acres involved, including the destruction of various logging and tourist camps and the closing of five mines in the Red Lake district, is the minister in a position to inform the house whether his department has taken any measure of assistance to the area?

Hon. H. J. Flemming (Minister of Forestry): Mr. Speaker, I appreciate the courtesy of the hon. gentleman in sending me a copy of the question. I can quite understand his interest, concern, and even anxiety in connection with the very serious situation referred to in his question. The official answer, I might say, is as follows.

The Department of Forestry has not participated directly in fighting forest fires in the area referred to. Our contribution to the provinces in forest fire protection has been restricted to research programs and financial assistance under the agreements toward capital expenditures required for fire protection, including purchase of equipment, construction of ranger stations, lookout towers, roads and trails and the like. We are watching the situation with great concern, but up to date no representations have been received from the province of Ontario, which is responsible for the protection of its forests, for any extra assistance.

Mr. W. M. Benidickson (Kenora-Rainy River): I should like to ask a supplementary question of the Minister of Labour. In view of the high unemployment in the area, has the Minister of Labour considered whether his department might encourage the employment of men in this area to fight this catastrophe?

Inquiries of the Ministry

Hon. Michael Starr (Minister of Labour): Mr. Speaker, of course my department, through the national employment service, is at all times encouraging employers to hire people for work that is available.

FISHERIES

PRINCE EDWARD ISLAND—REQUEST FOR EXTENSION OF LOBSTER FISHING SEASON

On the orders of the day:

Mrs. Margaret Macdonald (Kings): Mr. Speaker, I should like to ask the Minister of Fisheries whether he can yet make a statement concerning the fishing season in lobster district 7B.

Hon. J. A. MacLean (Minister of Fisheries): Mr. Speaker, I wish to thank the hon. member for giving me notice of her intention to ask this question. I have been keeping a very close watch on the lobster fisheries, as the opening in this district in particular was so long delayed by ice conditions this spring. Fishing was very slow at first but has picked up remarkably well, and by July 5, the official date of closing, the average catch throughout the whole district will be almost that of a normal year. There are, of course, local areas which are exceptions to this, but even in these areas the catches will not be much below average, and the districts must be considered as whole units.

I would add that the requests received that no further extension be granted far outnumber those requests for a further extension. Accordingly, Mr. Speaker, there will be no further extension granted beyond July 5 in lobster districts 7A and 7B.

COMBINES

COMMUNITY CONCERTS LTD.—REPORTED MONOPOLY IN ENTERTAINMENT FIELD

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I wish to address a question to the Minister of Justice. I might emphasize, in fairness, that this is not a conspiracy. Members of the cabinet do not indulge in conspiracies with the hon. member for Kootenay West.

Has the minister or any of his officials received complaints or information to the effect that Community Concerts of Canada, Limited, a subsidiary of Community Concerts, Incorporated, of New York, has such a monopoly or near monopoly of the entertainment field that talented Canadian artists not willing to pay tribute to this organization are, in effect, denied an opportunity to be heard in their own land?

[Mr. Benidickson.]

Hon. E. D. Fulton (Minister of Justice): Mr. Speaker, I thank the hon. gentleman for the notice of his intention to ask this question, which I certainly never heard before that there might be a conspiracy. I have to advise the hon. member that according to my information no such complaint or information has been received, not recently at any rate.

Mr. Herridge: Mr. Speaker, could I ask the minister a supplementary question. Would he ask the director of the combines investigation branch just to look into this matter?

Mr. Fulton: Mr. Speaker, on receipt of notice of the question I did check with the director, and it was as a result of his information that I said we have not received such a complaint in the recent past. I think I recall some time ago having the matter brought to my attention and I believe the correspondence was replied to, but certainly nothing of recent date has come to my attention or been received in the branch.

Mr. Speaker: Perhaps I should say that my suggestion that an earlier question and answer sounded like a conspiracy was no more serious than the question to which it referred.

(Translation):

TRANSPORT

SOULANGES CANAL—INQUIRY AS TO FEDERAL DISPOSAL

On the orders of the day:

Hon. Lionel Chevrier (Laurier): Mr. Speaker, I wish to direct a question to the Minister of Transport.

On June 8 last, the minister indicated that his department had decided to offer for industrial purposes part of the Soulanges canal for a period of one month. Now that the 30 day period has expired, could the minister indicate whether he has received any offers from industrial firms for that part of the Soulanges canal which is known as Pointe Cascades? In the affirmative, what are those offers? In the negative, is he now prepared to surrender the whole canal property to the government of the province of Quebec?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, all I can say to the hon. member for the time being is that we did receive offers. We are considering them and will reach a decision within two or three days.

Mr. Chevrier: A supplementary question. Could the minister indicate what type of offer is under consideration, and how many workers would be likely to be employed by the industries involved?

Mr. Balcer: Mr. Speaker, I think this last question should rather be placed on the order paper.

(Text):

TRANS-CANADA AIR LINES

REQUEST FOR REPORT ON LABOUR DISPUTE

On the orders of the day:

Mr. Frank Howard (Skeena): Mr. Speaker, I wonder whether I might direct a question to the Minister of Labour and ask him whether he is in a position to report to the house about the negotiations or lack of negotiations between the air line flight attendants association and Trans-Canada Air Lines.

Hon. Michael Starr (Minister of Labour): Mr. Speaker, at this time I can only say that discussions seeking a settlement of this dispute between the representatives of the flight attendants union and the officials of Trans-Canada Air Lines were broken off on Friday. However, officials of my department are in touch with both parties, and it is hoped that discussions will be resumed soon. In view of that fact, Mr. Speaker, I feel it is not desirable to comment further in respect to this situation at this time.

Mr. Howard: Mr. Speaker, I should like to ask a supplementary question. I wonder whether the minister could indicate whether either of the parties has indicated or set a date as to either a lockout or a strike.

Mr. Starr: It was my understanding that a date was to be arrived at today. Any announcement which may have been made in that regard has not been drawn to my attention.

[Later:]

Mr. Howard: Mr. Speaker, has the Minister of Transport any knowledge of steps taken by Trans-Canada Air Lines to replace its present stewardesses and hostesses with untrained personnel? Is this in keeping with our concept of protection and safety of passengers?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, all I know about this is what I have read in the newspapers. I would not care to comment on newspaper articles.

COAL

CAPE BRETON—REQUEST FOR EXTENSION OF OPERATION OF FLORENCE COLLIERY

On the orders of the day:

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, in the absence of the Minister of Mines and Technical Surveys I should like to ask the Prime Minister whether the federal government made a proposal to the Dominion Coal Company of the Dominion Steel and Coal Corporation for stretching out the work at the Florence mines in Cape Breton, and, if so, what attitude was taken by the company?

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, I shall take that question as notice.

Mr. Pickersgill: Mr. Speaker, perhaps I could ask the Prime Minister a supplementary question to be taken as notice at the same time. Will the Prime Minister take note of the dispatch in the Halifax *Chronicle-Herald* of July 1, to this effect that the Minister of Mines and Technical Surveys informed the *Chronicle-Herald* that the company had declined the federal proposition as impractical?

HEALTH AND WELFARE

ROYAL COMMISSION—REQUEST FOR APPOINTMENT OF PHARMACEUTICAL REPRESENTATIVE

On the orders of the day:

Mr. Hazen Argue (Assiniboia): Mr. Speaker, I should like to direct a question to the right hon. Prime Minister. Has the Prime Minister received a letter from Mr. J. F. Holland, president of the Manitoba pharmaceutical association, protesting the fact that no member of the pharmaceutical profession has been included on the royal commission on health care? If so, is consideration being given to adding an additional member from that profession?

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, I cannot state with assurance that the particular person to whom the hon. member has referred has communicated with me, but there have been communications received from the pharmaceutical association to that effect. I suggest that the reason for the non-inclusion of a representative of that profession is the simple fact that having regard to all the considerations before the government in determining the members of a commission and the various professions which might consider, and with good reason, that they should be included, they cannot all be included. However, the pharmaceutical association, as pointed out in a letter directed to one of its officials will have every opportunity of placing before the commission, to the fullest extent, any suggestions, recommendations and ideas that association has in mind, and will also be given the opportunity to place before the commission in the fullest detail, all those things which would have been placed before it had it been possible to include not only a representative of the pharmaceutical association on the royal

commission but also representatives of one or two other groups which have sought membership thereon.

Hon. Paul Martin (Essex East): Mr. Speaker, I should like to ask a supplementary question. In view of the fact that the announcement in respect to this royal commission was made on December 18, 1960, has the Prime Minister any comment to make regarding a statement attributed to the chairman of that royal commission to the effect that there would be no report available before two years from the date of the first sitting?

Mr. Diefenbaker: Mr. Speaker, I have no comment to make on that. So far as the commission is concerned, I am very hopeful there will be a preliminary report available at a much earlier date, because after all we are most anxious to have any recommendations that it may make in regard to this important matter.

Mr. Martin (Essex East): I thank the Prime Minister.

INDUSTRY

AUTOMOBILES—REPORTED REPAIRING OF MOTORS IN U.S.

On the orders of the day:

Mr. Erhart Regier (Burnaby-Coquitlam): Mr. Speaker, I should like to ask the Prime Minister whether any action is being planned by the government to prevent the newly established practice of automobile factories in Canada sending motors to the United States for repair purposes, thus robbing Canadian workers of employment which they have enjoyed over a long period of years.

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, the hon. gentleman gave me notice of that question and I had the answer available on Saturday, but in his absence did not give it. I am not in a position to give that answer now except to say the Canadian automobiles chamber of commerce stated that there is no foundation for that question; that the four leading Canadian automobile factories are indeed carrying out their repair work in Canada. So far as the Volkswagen company is concerned, it is making plans and provisions for such work to be done here as well.

AIRPORTS

PITT MEADOWS, B.C.—INQUIRY AS TO DEVELOPMENT

On the orders of the day:

Mr. Harold Hicks (Fraser Valley): Mr. Speaker, I should like to inquire of the Minister of Transport whether he can inform the house if the proposed development of the Pitt Meadows airport has got under way yet and, if not, what is the proposed starting date?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, this matter has been submitted to treasury board, and as soon as a decision on principle is reached there the department will be in a position to start work on this air field when the needs of aviation in the Vancouver area justify this undertaking.

BUSINESS OF THE HOUSE

INCOME TAX ACT—DELAY IN FIRST READING OF AMENDING BILL

On the orders of the day:

Mr. W. M. Benidickson (Kenora-Rainy River): Mr. Speaker, I should like to direct a question to the Minister of Finance. In view of the fact that the minister presented a bill to amend the Income Tax Act consisting of 36 pages just a few moments ago, would the minister indicate why first reading of this bill was not given, as is usual in this house, immediately after the resolution relating thereto was approved?

Mr. Speaker: Order. I question the propriety of the hon. member when he refers to matters relating to a first reading, because first reading of a bill is not a debatable matter. If the hon. member wishes to complain about the procedure that has been followed I suppose he is entitled to do so when the bill comes before this house, but this would not appear to be the appropriate time.

Mr. Benidickson: Mr. Speaker, on a point of privilege I should like to raise a question as to whether it is the intention of the Minister of Finance to ask that this bill be proceeded with before the proposed adjournment of this session of parliament. I should also like to ask whether the items contained in the 36 page bill which has just been presented to us this morning have been made known—

Mr. Churchill: What is the purpose of your question?

Mr. Benidickson: —prior to this time to the taxpayers concerned, and to those individuals who concern themselves with taxpayers' interests, such as the Canadian tax foundation, the Canadian chamber of commerce—

Mr. Churchill: There is no privilege involved here.

Mr. Benidickson: —and accountants and lawyers.

Mr. Speaker: Order. I suppose the hon. member is entitled to ask a question relating

to the business of the house, but he will recall that the house has given leave for second reading of this bill some time later this day.

Mr. Pickersgill: Not later this day.

Mr. Benidickson: No, not later this day.

Mr. Speaker: I beg your pardon, at the next sitting of the house. However, what the hon. member is asking of the minister now is, in effect, when he proposes to proceed with second reading. Perhaps if the hon. member wishes to ask that question it would be appropriate for him to do so.

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, that will, of course, be a matter to be arranged with the leader of the house and announced when we are considering the business of the house. However, I do wish to correct one very serious misstatement made by the hon. member. He said it was the practice to introduce Income Tax Act bills immediately after the budget resolution respecting the Income Tax Act had been reported. He is quite mistaken in that.

Mr. Benidickson: I said almost always.

Mr. Fleming (Eglinton): I can remember one occasion when one of my predecessors, at a time when the hon. member was, as I recall it, parliamentary assistant to the minister of finance, allowed a week or more to expire between the report of the resolution and the introduction of the bill.

Mr. Benidickson: Yes, but not approaching an adjournment.

CANADIAN NATIONAL RAILWAYS—REQUEST FOR INTRODUCTION OF BILL

Hon. Lionel Chevrier (Laurier): May I direct a question to the Minister of Transport having to do with the resolution on the order paper concerning the measure authorizing capital expenditure for the Canadian National Railway. Is that bill ready for distribution?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, the resolution has been agreed to. The bill will be brought before the house when the government decides to bring it in.

Mr. Benidickson: What does the minister mean by "agreed to"?

Mr. G. J. McIlraith (Ottawa West): Mr. Speaker, I should like to ask the house leader a question. Bearing in mind that the indication as to business for today included the Canadian National Railways financing bill, which was given first reading this morning—

Some hon. Members: No.

Mr. McIlraith: The resolution was dealt with this morning. I should like the house leader to indicate whether it is intended to proceed with the bill today. I have reference to his indication of the business for today as found toward the bottom of the first column on page 7393 of *Hansard*. Would the house leader clarify what measure he had in mind there and what stage of consideration?

Hon. Gordon Churchill (Minister of Veterans Affairs): The house has already given consent to proceed with consideration of the resolution later today.

Mr. Benidickson: But we did not agree to the resolution.

Mr. Pickersgill: On a point of order, Mr. Speaker, I do not think any such consent has been given. As will be seen from the order paper, the motion was to go into committee of the whole at the next sitting, and that was passed without any discussion or any qualification.

Mr. Bell (Carleton): The Speaker asked for unanimous consent for consideration later this day.

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, you expressly dealt with this matter. You put the resolution with unanimous consent, and you paused to wait for any objections, that the resolution be taken up later this day. That is the resolution that was passed by unanimous consent.

Mr. Pickersgill: In the circumstances I think I owe Your Honour an apology, and I make it at once.

Mr. McIlraith: I am seeking to have the house leader clarify how far he intends to go with this measure today. That was the purpose of my question.

Mr. Fleming (Eglinton): Mr. Speaker, this is a resolution standing on the order paper in my name. We hope to carry it just as far today as the house is prepared to go. The resolution is ready for debate and the bill is ready to be introduced as soon as the resolution is adopted. If the house wishes to proceed to the later stages of the bill today, we will be very happy indeed if the house will do so.

Mr. McIlraith: I want to thank the Minister of Finance for now giving the information I was seeking to get. I had understood from the earlier answer that the bill was not going to be proceeded with.

Mr. Benidickson: The resolution only came forward on June 30.

Mr. McIlraith: I was seeking to find out if the bill was ready and what the plan of

the government was as to when it would come forward for consideration.

Hon. Paul Martin (Essex East): A supplementary question, Mr. Speaker. Is the bill in fact ready? I ask that of the Minister of Finance.

Mr. Fleming (Eglinton): Mr. Speaker, the bill is in fact ready.

Mr. Benidickson: The income tax bill was not ready at the same stage.

Mr. Martin (Essex East): May I ask the minister a further question. In doing so I want to compliment him upon his tremendous imitative powers, and I trust he will imitate as well in substance as in form. Will the minister tell the house whether the bill is ready and prepared in French and in English as well?

Mr. Fleming (Eglinton): Yes, Mr. Speaker, the bill is ready and prepared in French and English as well.

Mr. Chevrier: May I ask the Minister of Finance whether the bill will be filibustered in the same way as the Pine Point railway measure?

Mr. Speaker: Order. I think we should proceed to the orders of the day before dancing as well as singing takes place.

EXTERNAL AFFAIRS

LAOS—REPORTED CANADIAN OBJECTIONS TO INSTRUCTIONS TO COMMISSION

On the orders of the day:

Hon. Paul Martin (Essex East): Mr. Speaker, I should like to ask a question of the Secretary of State for External Affairs based upon a United Press report that instructions were agreed upon by the British and Soviet co-chairmen on Saturday after seven weeks of hassling, and that a move to give the international control commission of Laos more air and ground equipment to supervise the cease fire ran into new trouble yesterday when Canadian objections stopped the fresh instructions half way to Vientiane.

Is the minister in a position to say that the basis for the Canadian objection was as further reported, that the instructions given by the two co-chairmen would have afforded to one member of the commission a veto that, in the opinion of Canada, would have limited the successful operation of the commission in Laos?

Hon. Howard C. Green (Secretary of State for External Affairs): Mr. Speaker, on Thursday of last week the co-chairmen met with the representatives of Canada, India and Poland to discuss the provision of helicopters, light aircraft, road transport and other essential equipment for the truce supervisory commission in Laos. At this meeting the Canadian representative took the position that the commission should be given the authority to obtain the equipment it requires from whatever source it considers best, by purchase if necessary and that such equipment must be entirely under the commission's control and at its disposal at all times.

Newspaper accounts of the results of that meeting are misleading in that they indicate that agreement had been reached by the co-chairmen that equipment would be under the commission's own control. The implication was that the commission was to be provided with equipment, but in fact all that happened at the meeting was a co-chairmen's decision to send yet another request for information to Vientiane without taking any practical steps to make equipment available. In addition, the objectional features were retained, namely the dependence upon the agreement of the parties in Laos and the failure to take cognizance of offers already made. I refer to the offers by the United States and by France.

The Canadian representative has continued to argue vigorously that steps should be taken to enable the commission to obtain the essential equipment it needs without further delay so that it may be in a position to carry out an effective supervision of the cease-fire. As I pointed out earlier, both at Geneva and in my statement to the house on June 23, the commission would be rendered impotent and ineffective if it is made dependent on the Laotian parties for the transport it requires to carry out its task.

The government is continuing its efforts to ensure that suitable arrangements are made to provide the commission with the aircraft and other equipment it requires. The responsibility for providing this equipment rests, of course, on the two co-chairmen of the Geneva conference, namely the United Kingdom and the Soviet union. There must be clear-cut action on their part if equipment is to be supplied, and supplied under the control of the commission. Canada will do her best to see that this commission functions effectively, but under present conditions the Canadian people would be quite wrong to expect that the commission can do its job properly.

UNITED NATIONS

ANGOLA—REQUEST FOR REPORT ON CURRENT SITUATION

On the orders of the day:

Mr. Hazen Argue (Assiniboia): Mr. Speaker, I should like to address a question to the Secretary of State for External Affairs. Can

he give us any information on conditions in Angola at the present time? More particularly, would he care to comment on the statement of the premier of Portugal that Portugal has no intention of complying with the United Nations security council resolution calling for a halt to repressive measures in Angola?

Hon. Howard C. Green (Secretary of State for External Affairs): I dealt with the situation in Angola last week during the absence of the hon. member for Assiniboia. There has been a committee, I think of five nations, set up by the United Nations to investigate the whole situation in Angola. That commission has not yet reported. There is very little doubt that this whole situation will be one of the main topics discussed at the next meeting of the general assembly of the United Nations. Canada made her position perfectly clear by voting for the setting up of this committee.

Mr. Argue: A supplementary question. Can the minister comment on the statement of the premier of Portugal that any attack on its policies in Africa constitutes an attack on NATO?

Mr. Green: Well, Mr. Speaker, that is not the opinion of the Canadian government.

SHIPPING

INQUIRY AS TO REGULATIONS RESPECTING SHIPBUILDING SUBSIDIES

On the orders of the day:

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, I should like to ask the Minister of Transport whether, since over seven months have elapsed since the policy was first announced and the two weeks that he gave himself have also elapsed, the minister is now in a position to lay before the house the regulations governing aid for shipbuilding.

Hon. Leon Balcer (Minister of Transport): Not yet, Mr. Speaker.

Mr. Pickersgill: Since I asked my question of the Minister of Transport I have had an opportunity of looking at *Hansard*, and I should now like to ask him whether he has any comment on the answer he gave to my similar question last Monday, June 26, when he said, as reported at page 7038 of *Hansard*:

> Mr. Speaker, just about a week ago I said in the house that these regulations should be ready within two weeks or ten days. They will be ready in accordance with what I said last week.

What is the reason for the new delay?

Mr. Balcer: Mr. Speaker, I am an optimist and I must confess that I was one, two or three days ahead of the time. I am just as anxious as anybody in the house to have these regulations completed. It is an extremely complicated document to draft, and at least seven or eight people were working on it all week long. The regulations will be ready very soon.

Mr. Pickersgill: Could I ask the minister if he does not think it would be better to get the regulations ready before announcing policy?

Some hon. Members: Order.

Mr. Speaker: Order.

TRANSPORT

PINE POINT RAILWAY—INQUIRY AS TO AGREEMENT

On the orders of the day:

Hon. Lionel Chevrier (Laurier): May I direct a question to the Minister of Transport. Has the agreement between the Canadian National Railways, Consolidated Mining and Smelting Company Limited and Pine Point Mines Limited been completed? I refer to the agreement upon which the resolution which the minister introduced the other day was based. Are the negotiations concerning this agreement completed?

Hon. Leon Balcer (Minister of Transport): No, Mr. Speaker, negotiations are not completed. Discussions have been going on for a long time. All the major points have been cleared. There is only one minor matter that has still to be agreed to, but it has nothing to do with the main principle of the agreement. It is only a detail matter and should be dealt with very shortly.

Mr. Chevrier: Does the minister not think that by the introduction of the resolution and then the bill—

Mr. Speaker: Order. The matter about which the hon. member is now inquiring would more properly come up on the resolution or the bill when it comes up rather than now. It is rather a matter for argument.

Mr. Chevrier: I asked the question on Saturday and I was told that I should ask the question when the Minister of Transport was in his seat. Now that the minister is in his seat some other reasons are given why I cannot pursue the matter. I have obtained one answer. I should like to ask a supplementary question. I will not ask it unless I am permitted.

Mr. Speaker: The reason I objected to the question basically was that it was an argument rather than a question. If the hon. member has a supplementary question to

clarify the answer which the minister has given, which was an answer to his original question, I will permit it.

Mr. Chevrier: I will ask the supplementary question, if I may. Does the minister intend to introduce the bill in the house for discussion and consideration even though the agreement is not completed?

Mr. Balcer: Mr. Speaker, the bill will be introduced when the government places it on the order paper.

CRIMINAL CODE

REVISION OF PROVISIONS RESPECTING DEATH PENALTY

Hon. E. D. Fulton (Minister of Justice) moved the second reading of and concurrence in the amendment made by the Senate to Bill No. C-92, to amend the Criminal Code (capital murder).

Motion agreed to, amendment read the second time and concurred in.

EXCISE ACT

Hon. Donald M. Fleming (Minister of Finance) moved the second reading of Bill No. C-115, to amend the Excise Act.

Mr. Benidickson: What about the Criminal Code amendment? I thought that was announced as the first item.

Mr. Fulton: It has just been passed while my hon. friend was otherwise engaged.

Mr. Benidickson: Mr. Speaker—

Mr. Martin (Essex East): Mr. Speaker, the hon. gentleman—

Mr. Speaker: Order. The hon. member for Kenora-Rainy River.

Mr. W. M. Benidickson (Kenora-Rainy River): Mr. Speaker, the resolution preceding the introduction of this bill was discussed last Thursday night. It has to do with a minor amendment in respect of cigarettes. The hon. member for Trinity spoke effectively, I thought, on Thursday night. I refer all hon. members to his remarks, which I will not repeat, concerning the great promises that were made by the government to the tobacco industry in the election campaign of 1958. The measure now before us is a very small mouse by way of legislative enactment when one compares it with the statements made by the Prime Minister in that election campaign, quoted by the hon. member for Trinity, to those interested in this industry.

The Minister of Finance has indicated that this measure is generally endorsed by the tobacco growers. I do not for a moment propose to criticize it. I simply wish to ask some of the government members from tobacco growing areas, perhaps the hon. member for Brantford (Mr. Wratten), where the Prime Minister's speech was delivered in 1958 and in which he obviously attempted to entice the voters by indicating that his government would do something in a very important way for the benefit of this industry, to comment on the picayune nature of the amendments in this bill.

Mr. Speaker: Is the house ready for the question? Order. I must inform the house that if the minister speaks now he will close the debate.

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, can the minister when he speaks give any indication of the evidence on which a statement could be based that this provision would increase the use of tobacco, and is it also a fact that the tobacco companies have denied that this will happen? Will the minister also indicate whether the tobacco companies have all been in favour of this change and, if not, why they have some doubts about it?

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, we were over all these points—

Mr. Speaker: Order. I must inform the house that if the minister speaks now he will close the debate.

Mr. Pearson: That does not make any difference. I have asked the minister a question. The fact that we may have talked about the matter before surely does not exempt him from replying to my question.

Mr. Fleming (Eglinton): It is evident that the Leader of the Opposition feels under no obligation to be acquainted with what has already been said. It is all on record. I said that the points have been raised, and I will be glad to go over them again as I did on Thursday evening when we were previously on this measure. This measure has been asked for and warmly welcomed by the tobacco growers. It has been estimated that this measure is likely, as I said at that time, to increase the consumption of tobacco by an additional ten million pounds per annum, by reason of putting more tobacco in each cigarette.

Now, Mr. Speaker, as I said on Thursday evening in reply to similar questions, of the tobacco companies, one company has been asking for this provision for several years, has been urging it strongly for several years. One other tobacco company, since the resolution was announced in the budget speech, has asked that it be not proceeded with, and,

alternatively, asked for a delay in the effective date until July 1, 1962, to afford more time to instal the machinery to make the longer cigarettes. Another tobacco firm has asked simply for a deferment of the effective date until July 1 to allow them to instal the machinery.

These are the representations we have had. An amendment which I introduced, and which was approved in the committee of ways and means and then in the house last Thursday evening, constituted a compromise in relation to the effective date. It will be recalled that the original resolution proposed that the effective date of the change be made January 1, 1962 to allow all the firms some six months for the purpose of accommodating themselves and their equipment to the change. A further three months have been added to that time by the amendment, so these firms now have nine months in which to accommodate themselves and their equipment to the change.

I may say in reply to the hon. member for Kenora-Rainy River that this measure has been urged on us by representatives of the tobacco growers. Let there be no doubt in his mind that it is warmly welcomed by them.

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

On clause 1—*Schedule amended.*

Mr. Benidickson: The minister has indicated, Mr. Chairman, he has determined that this provision should not become effective on the date originally announced, that is January 1, 1962, but should be deferred until April 1, 1962. If these budget amendments are of consequence to the industry and to the growers of raw tobacco, as the minister says they are, why is it that we have a delayed budget, delayed by three months past the normal date? We know that the minister is industrious, that he is prepared to review these matters, and does. Why is it that only after he introduces his budget does he find it necessary to amend his intention as indicated in clause 2 of the bill to the extent of three months?

This is an important industry. What has been lacking in the liaison between the Department of Finance, the government and the industry which left the government in ignorance to the extent that they did not realize that without the necessary amendment to the budget proposals, a deferment of three months, some of these manufacturers would be embarrassed? Why was there a lack of liaison, a lack of information and the long delayed budget that required this amendment? Why did the minister not know this provision would have a deleterious effect upon at least two of the principal cigarette manufacturers in this country?

Mr. Fleming (Eglinton): Mr. Chairman, there has been no delay and there has been no lack of proper liaison. We did not go out and tell the manufacturers that we were going to introduce a change in this commodity tax. We received representations on the subject, and we would not have been discharging our duty in the proper constitutional manner if we had entered into discussions on the basis of this amendment being introduced. We receive representations and we make calculations. In this case we allowed six months for adjustment to the change, and that appeared to be adequate.

However, we have received representations from two quarters since asking for more time to acquire the machinery to equip their plants for this purpose. We have met this request part way. We chose the date of April 1 because it is still ahead of planting time. The request of the manufacturers would have taken us beyond the planting season, to July. This is a measure introduced not to benefit particular companies but to benefit the tobacco growers.

Mr. Pearson: I asked the minister a few moments ago about the possibility of this change resulting in an increase in the production of tobacco, which is something of great importance to the growers. He has said it is estimated that the increase might be as high as ten million pounds. I would ask the minister who made that estimate.

Mr. Fleming (Eglinton): The representations in relation to the anticipated increase in the consumption of tobacco have been made to us both by the flue cured tobacco growers and also by one of the manufacturers. It is a matter that has been the occasion of representations.

Mr. Pearson: Is it a fact that other manufacturers have indicated to the minister that this change is not likely to result in any increase in the production of tobacco?

Mr. Fleming (Eglinton): One manufacturer, to my knowledge, has within the last week expressed that opinion.

Mr. Martin (Essex East): What tobacco growers organization has indicated that this would mean an increase of nine million or ten million pounds?

Mr. Fleming (Eglinton): The Ontario flue cured tobacco growers association.

Mr. Martin (Essex East): I doubt that.

Mr. Fleming (Eglinton): I am not tying it to a specific figure; I say that we had representations from them that this plan would

lead to an expansion of consumption. We had representations from one of the manufacturers, and this manufacturer was quite definite in his estimate. The representations of the Ontario flue cured tobacco association were also quite clear that this would result in a very substantial increase in tobacco consumption in Canada.

Mr. Martin (Essex East): I said I doubt that.

Mr. Fleming (Eglinton): Do you know more than they do?

Mr. Martin (Essex East): I know more than the minister does about this subject, Mr. Chairman. I doubt that any tobacco organization has made representations of that kind at all. That is what I said.

Mr. Fleming (Eglinton): I made the statement that representatives of the Ontario flue cured tobacco growers association have represented to me in my office, in my hearing, in my presence, that this measure would result in a substantial increase in the consumption of tobacco in Canada. They gave me a demonstration of how it would work out.

Mr. Pearson: The minister just said it was estimated that there would be an increase of 10 million pounds. Now he says "a substantial increase".

Mr. Martin (Essex East): Yes.

Mr. Fleming (Eglinton): Mr. Chairman, I made it quite clear that we have had representations, as I said, from both the flue cured tobacco growers association and a manufacturer that this would result in a substantial increase. I said further that the manufacturer estimated it would result in an increase of 10 million pounds annually in consumption. I said also that the Ontario flue cured tobacco growers association had supported the representation that this would result in a substantial increase. Here is what the brief of the Ontario flue cured tobacco growers marketing board contained:

> This extra amount of tobacco could mean the sale of an additional 6 million to 8 million pounds of raw leaf tobacco annually for an added income to tobacco producers of $3 million to $4 million.

Mr. Martin (Essex East): It "could mean" that.

Mr. Fleming (Eglinton): To continue:

> To further trace it down, it could mean about $1,000 more income each year to each Ontario tobacco producer.

Mr. Martin (Essex East): Precisely. They did not say it would; they said it could. That is altogether different from what the minister told this committee today and on Saturday.

[Mr. Fleming (Eglinton).]

Mr. Pearson: It now appears that the facts are that the producers organization said that it could mean a substantial increase. It appears that one company has said it would mean an increase of presumably 10 million pounds, while another company has said it would mean no increase at all in their view.

Clause agreed to.

Clause 2 agreed to.

Title agreed to.

Bill reported.

The Acting Speaker (Mr. Chown): When shall the bill be read the third time? By leave, now?

Some hon. Members: Agreed.

Mr. Fleming (Eglinton) moved third reading of the bill.

Motion agreed to and bill read the third time and passed.

EXCISE TAX ACT

Hon. Donald M. Fleming (Minister of Finance) moved the second reading of Bill No. C-118, to amend the Excise Tax Act.

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

On clause 1—*Tax on premiums in respect of insurance with British or foreign company.*

Mr. Benidickson: In connection with the amendments to the Excise Tax Act involved here may I say this. We well know that the principal item of tax reduction relates to the elimination of the 7½ per cent tax on automobiles. There are a number of other items in the bill. I wonder whether the minister, having given us a figure as to the tax loss forecast on the automobile tax, which I think he said was $55 million for the current fiscal year and would be perhaps $100 million in a full fiscal year—

Mr. Fleming (Eglinton): Mr. Chairman, I suggest that we deal with this matter under clause 7, subsection 1. There is a consequential amendment in clause 4 of the bill, but the principal clause in relation to the repeal of the excise tax on motor cars is clause 7, subsection 1.

Mr. Benidickson: I am aware of that fact, Mr. Chairman. However, I made the observation I did because I thought the minister should give us a general review of all the items that will be affected by the proposed changes and indicate with respect to each one the possible dollar value in tax concession

that is involved here in a budget that he described, a week before he presented it, as an expansionist budget.

Mr. Fleming (Eglinton): I do not think this is the time or the place to undertake a review of that kind. It was done in the course of the presentation of the budget speech. In that speech there is a chapter beginning at page 6662 under the heading "Sales and Excise Taxes". Then, of course, later in the speech I dealt with changes in revenue in the chapter entitled "The 1961-62 Balance of Ways and Means", commencing at page 6665.

Mr. Martin (Essex East): It was not a speech; it was a book.

Mr. Benidickson: I am, of course, familiar with that. We are now, however, as members of parliament looking in a detailed way at the proposals of the minister when he introduces in parliament a bill to make effective the matters to which he referred in that long speech on June 20. In courtesy to this committee which is going into detail I think he should give us the type of information I have requested, namely the estimate given to him by officials after long study, as I well know, as to the consequence to the treasury of the reductions in sales tax that relate to the various items that appear in the schedule and the clauses of the bill we are now reviewing.

Mr. Bell (Carleton): Would that procedure not be preferable under each clause of the bill?

Mr. Benidickson: I could rise on each item and ask the same question, but I thought it would make for more orderly procedure if the minister would perhaps expand a bit on the statement that I agree he made in a restricted way on June 20. I have, of course, noted his remarks as found at page 6662 of *Hansard*.

Mr. Fleming (Eglinton): I draw the attention of the hon. member to what I said in the budget speech as found in the second column of page 6665:

> The effect of the proposed changes in sales and excise taxes will be $66 million in a full year and $55 million in 1961-62.

I shall be pleased to give the hon. gentleman the estimate with respect to each of these changes in order. I may say that on the first clause, the one with which we are dealing now, the revenue increase is likely to be insignificant. The present tax produces about $16,000 per year.

Mr. Benidickson: I take it that the minister is referring to his broad remarks and that he refuses to give details with respect to individual proposals.

Mr. Fleming (Eglinton): Not at all, Mr. Chairman; I said the very opposite. I said I would be prepared to give the estimates with respect to each of these matters as we come to them in an orderly way in the bill. We are dealing with clause 1. I have given the estimate available on the effects of the changes in clause 1.

Mr. Benidickson: As reported on page 6665 of *Hansard*, the minister in his speech on budget night, to which he has referred me, said concerning the amendments that relate to this bill:

> The effect of the proposed changes in sales and excise taxes will be $66 million in a full year and $55 million in 1961-62. The total tax reductions therefore will be—

The minister included some concessions with regard to income tax and said the total tax reductions would be about $100 million in a full year. I say that, having before us at this time the details of his proposals with respect to the Excise Tax Act, it would be orderly, proper and informative to hear from the minister, apart from the automobile tax concession, his estimate in dollars of the tax reductions that will be involved in the principal items. Most of them appear in the schedule. They do not appear in clauses of the bill; they appear in an amendment to a complicated section, and I wonder whether we could have a little more detail from the minister as to the principal tax concessions that he thinks are involved in the bill he has placed before us.

Mr. Fleming (Eglinton): Mr. Chairman, I have already given the hon. member the aggregate result, which is the total that he asked for. I have also indicated that we are prepared to give him in detail the estimate with respect to each of these matters in the orderly and usual way when we come to them.

I may say in general, however, that the other changes apart from the excise tax on motor cars balance themselves out, broadly speaking, in their revenue effects. There are some further exemptions proposed in the clauses. There are some cases where an increase in the tax is involved. Adding together the increases and the exemptions we have a balancing. So that in the result the estimated loss of revenue, as I indicated in the budget speech, is $55 million for the present year and $66 million in a full year. As to any particular detail with regard to any of these changes, we will be glad to furnish it to the hon. member as we come to each item. I have already given the information concerning the revenue implications of clause 1.

Mr. McIlraith: Mr. Chairman, I understood the minister to indicate that this provision

contained in clause 1 would bring a relatively small amount of revenue to the treasury. Then what is the purpose of the clause?

Mr. Fleming (Eglinton): To stop a manifest injustice to Canadian insurance companies and Canadian insurance agents. I may say—

Mr. McIlraith: Would the minister explain the injustice again?

Mr. Fleming (Eglinton): What we are trying to reach and penalize here is the practice of some persons of writing insurance on property or risks in Canada with companies that are not authorized to do business in Canada, or with companies that are authorized to do business in Canada but through persons who are not agents qualified to do business in Canada.

I dealt with this problem in the budget speech. We have reason to believe that something of this kind has been going on. We have not been able to ascertain precisely its scale, but it is enough to have given rise to strong representations from insurance agents as well as insurance companies lawfully authorized to do business in Canada.

I point out that if the result of this proposed tax to be applied in such cases were to yield a substantial revenue it would not accomplish the result we are seeking to achieve here, because we wish to put a stop to a practice that we think is very unfair and improper.

Mr. McIlraith: I thank the minister for his explanation. That is what I wanted him to state for the record. I think I can properly add the comment that the section is mainly applicable to fire insurance and automobile insurance, as I understand it. Is that correct?

Mr. Fleming (Eglinton): It is to apply to all classes of insurance with the exceptions stated here, which are life insurance, personal accident insurance, sickness insurance or insurance against marine risks, and insurance against nuclear risks to the extent that such insurance against nuclear risks is not available in Canada.

Mr. McIlraith: And to clear up the situation in order to protect Canadian insurance companies and Canadian underwriters; that is the purpose of the amendment?

Mr. Fleming (Eglinton): Yes. There is reason to believe that Canadian companies are losing premiums and Canadian insurance agents are losing commissions that they would otherwise gain if this business were properly written in Canada.

Mr. Benidickson: Mr. Chairman, I think the minister indicated that he felt it is related to recent discussions held at a high level across the country concerning foreign ownership of some of our important corporations. Did the minister indicate that he felt perhaps some of our foreign owned corporations had ignored Canadian insurance opportunities and had rather automatically, on a package basis, insured their Canadian subsidiaries through their own foreign insurance agencies, and this is a step to discourage that practice? Is that part of the aim of this amendment?

Mr. Fleming (Eglinton): It certainly is. It is designed to do more than discourage that, Mr. Chairman; it is designed to put a stop, as far as it is possible to do so, to the writing of insurance outside Canada on risks of this kind in Canada, either through companies that are not authorized to do business in Canada or through companies that are authorized to do business in Canada but through agents who are not authorized to do business in Canada. I dealt with the matter, I think rather fully, in the budget speech. It is to be found at page 6663 of *Hansard*.

Mr. Benidickson: Mr. Chairman, would the minister indicate whether he has considered the application of this amendment in a particular way to, say, the Allstate company, which I think is a subsidiary of Sears-Roebuck of the United States? We discussed the inroads of this company in the insurance business in the estimates committee. Would the minister say whether this type of business, which undertakes insurance offerings in a retail store, in its relationship to Canadian consumers, is involved in the amendments before us?

Mr. Fleming (Eglinton): Mr. Chairman, I do not think it would be proper on my part to comment on the business operations of any particular company designated by name. In the budget speech I think I made quite clear the circumstances which have given rise to this amendment and the purposes that we have in mind. I said:

> There appears to be an increasing tendency on the part of non-resident corporations carrying on business in Canada, and also Canadian corporations which are controlled outside of Canada, to arrange their fire and casualty insurance in respect of risks in Canada either with insurers which are not authorized to transact the business of insurance in Canada or with insurers that are so authorized but through agents or brokers located outside Canada. Undoubtedly these practices stem from a desire to make all insurance arrangements at the head office of the corporation or at the head office of the parent corporation, as the case may be, rather than from any lack of adequate insurance facilities in Canada.

Mr. Benidickson: Mr. Chairman, surely the minister has given consideration to the number of people who have insured themselves

through the Allstate company, shall I say as one illustration? I understand that one of our prominent business houses, the ex Robert Simpson company, by reason of an association with the Sears organization in Toronto, provides a retail store service selling automobile insurance. It has made some progress in selling insurance which I understand is really taken care of finally by the head office in Chicago. Will this service be affected, and does this measure relate to insurance policies that have been purchased by a great number of Canadians from the Allstate company?

Mr. Fleming (Eglinton): Mr. Chairman, that would depend on the extent to which the company in question is authorized and licensed to do business in Canada, and the extent to which those individuals who are transacting the business immediately over the counter are so authorized and qualified.

Clauses 1 to 3 inclusive agreed to.

On clause 4.

Mr. McIlraith: With respect to clause 4, I take it we can discuss anything which can be discussed under it under clause 7?

Mr. Bell (Carleton): That is right, and I think clause 7 is the better clause for the discussion which my hon. friend has in mind.

Clauses 4 and 5 agreed to.

On clause 6—*Joint and several ability of licensed purchaser and vendor.*

Mr. McIlraith: Mr. Chairman, with reference to clause 6 would the parliamentary secretary tell me when section 68 was added to the act? Perhaps I could indicate the basis for asking that question, which is that I have before me what purports to be an up to date act, but it does not include this section.

Mr. Bell (Carleton): Mr. Chairman, the only information I have in this regard has relation to the marginal note in the last consolidation which shows it as new in 1959; chapter 23, section 10.

Mr. McIlraith: If the parliamentary secretary has it before him and it is not too lengthy, I wonder if he would mind reading it. I obtained what I thought was the excise tax act with amendments up to date but section 68 is not included.

Mr. Bell (Carleton): Would the hon. gentleman like section 68 put on the record?

Mr. McIlraith: Yes.

Mr. Bell (Carleton): Section 68 reads as follows:

> Where a purchaser of goods from a wholesaler, producer, manufacturer or importer has falsely represented that the goods were intended for a use rendering them exempt from tax under any provision of this act, the wholesaler, producer, manufacturer or importer, as the case may be is entitled to recover from the purchaser the taxes paid by him under this act in respect of those goods.

Clause agreed to.

On clause 7.

Mr. Benidickson: Mr. Chairman, in respect to clause 7 the committee will note, as has been noted by the observations of the member for Ottawa West, that we are a little short of information on the righthand page of the bill, because clause 7 says:

> Section 1 of schedule I to the said act is repealed.

There is no explanatory note in this regard. In view of the fact that this bill has come to us, as all will admit, with very little advance notice, perhaps the parliamentary secretary will now provide that information which is not provided in the bill, and perhaps in particular, in respect to subclause 2 of clause 7, he could indicate the volume of trade relating to these lighters, because I understand there is an increase in the protection which will provide that the duty in no case will be less than 10 cents per article. Perhaps he could also indicate who will be affected in our trade relations by this proposal and the volume of business we do, not only on the export side but on the import side, with the important trading nations involved?

Mr. Bell (Carleton): Mr. Chairman, as a result of the hon. member's experience as parliamentary assistant to the minister of finance, I am sure he will remember that it has never been the practice to provide explanatory notes in relation to schedules of bills. It has been the uniform practice not to put in explanatory notes. In fact the budget resolutions which precede such bills are the explanatory notes. I will be glad to draw my hon. friend's attention to the particular budget resolution which applies in each case. Subclause 2 to which he refers, relates to resolution No. 4.

The hon. member has asked a question in relation to the volume of trade and I might say that in recent years the average has been just under or over 5 million lighters sold each year. I have the breakdown here for the three years 1957, 1958 and 1959. I will give these figures indicating the year, the imports, the domestic production and then the totals. In 1957 the imports amounted to 3,747,924 and the domestic to 618,869, totalling 4,364,793; 1958, 4,145,292 and 541,266, making a total of 4,686,558.

Mr. Benidickson: I take it the second figure relates to domestic?

Mr. Bell (Carleton): Yes, the second figure relates to domestic. In 1959 imports amounted to 4,714,800 and the domestic to 642,182, making a total of 5,356,982.

Mr. Benidickson: Mr. Chairman, the parliamentary secretary did not indicate our trading partner which might be most affected by this proposed change.

Mr. Bell (Carleton): I think our imports are mainly from Japan and the United States.

Mr. Pickersgill: Mr. Chairman, I wonder whether the parliamentary secretary could tell us what the range of cost is in regard to these items, because the impact of the import will vary and will depend a good deal upon the sale price average.

Mr. Bell (Carleton): Mr. Chairman, my understanding is that the average duty paid value of an imported lighter is in the vicinity of 25 cents, while the average value of a Canadian made lighter is about $1.60. In respect to domestic lighters under the general rate of 10 per cent the excise tax has been as much as six to seven times the amount which was borne by imported lighters.

Mr. Pickersgill: In other words what the government is seeking to do here is to impose something more in the nature of a specific tax rather than a percentage tax?

Mr. Bell (Carleton): It is endeavouring to equalize the situation as between imported and domestic lighters.

Mr. Martin (Essex East): It amounts to a 40 per cent tax.

Clause agreed to.

On clause 8.

Mr. Herridge: Mr. Chairman, in respect to this clause I should like to say a word or two regarding two articles mentioned on page 5 of the bill, shingles and prepared roofing for buildings. In the district which I represent we grow a very high quality red cedar and there has developed in recent years quite a good industry for the sale of split cedar shakes—not singles, but split cedar shakes. Would those split cedar shakes which are sold commercially to people who want to build in most instances quite expensive homes, and are very popular, be considered as shingles or as prepared roofing for buildings?

Mr. Bell (Carleton): May I say to the hon. gentleman that the only change made in this particular part of the schedule is to delete therefrom the word "doors". As it previously read it was "lumber, sash, doors." Doors are being eliminated and, as the hon. gentleman will see by reference to page 4, are put in a separate category with door and window screens. Therefore there is no change in the situation. As to the particular matter to which the hon. gentleman refers, I am told that in any event they would be exempt.

Mr. Pickersgill: Mr. Chairman, I should like to make a suggestion to the minister with respect to the items mentioned here, which of course vary a great deal. In view of the fact that the hon. member for Kenora-Rainy River indicated at the resolution stage, in the cooperation we extended at that time that we would expect full explanation of these items on the bill, I think we should take each of the items separately and have an explanation of each from the parliamentary secretary so we can see what the real implications are and so that there will be something on *Hansard* for the public to see.

Mr. Benidickson: That was part of my purpose originally. We are dealing with building materials in clause 8. I think the officers of the Canadian Construction Association have indicated that these professed reductions in taxation are really inconsequential to that industry. They may be valuable in that they conform to reductions which have taken place in the past and therefore there is no disagreement between one type of product that goes into construction and another. But in so far as any expansionist program of the government is concerned in its tax reductions announced in the current budget, what actual expansion is likely to occur in trade and in production of those items which are referred to under the heading of building materials?

Mr. Bell (Carleton): Mr. Chairman, if it is the wish of the committee to adopt the suggestion of the hon. gentleman from Bonavista-Twillingate I think it would be satisfactory. The changes, of course, in this schedule are only those which are indicated in the bill by the black marginal line. We might, if it is the wish of the committee, deal with each of those separately. My hon. friend from Kenora-Rainy River has suggested that these are not of great value.

Mr. Benidickson: I say the construction industry president said that.

Mr. Bell (Carleton): With that I would take immediate issue and say many of these are of very substantial value to the building industry, as will be apparent as we go along. My hon. friend chooses to use the word "expansionist". This is a word which I venture to suggest to him applies, and applies very vividly, to the whole of this budget. These are only part of the whole budget which in its essence is the word he used.

Mr. Pickersgill: The parliamentary secretary has mentioned an expansionist budget. Of course he could not have chosen a more opportune time to use that word, since the first word in this clause is "blowers". Perhaps the parliamentary secretary would do a little blowing and show just precisely what the expansion is in "blowers for use in warm air systems for the heating of buildings". This is the expression used in the clause. I think it may be appropriate because I suspect, sir, that is a pretty good description of this expansionist budget.

The Deputy Chairman: Shall clause 8 carry?

Mr. Pickersgill: I thought the parliamentary secretary was going to explain this item.

Mr. Bell (Carleton): I shall be glad to. The particular change here relates to blowers for use in warm air systems for the heating of buildings. This subclause proposes to make all blowers used in warm air heating systems unconditionally exempt from sales tax. The present administrative practice is that such blowers when sold with furnaces are regarded as a component of these furnaces and held to be exempt from sales tax. This is because schedule III provides a sales tax exemption for furnaces for the heating of buildings. However, the recent change in the form of construction of some of the warm air heating systems puts the blower in the duct work some distance away from the furnace. As a result the blower is purchased separately and is no longer regarded as a part of the furnace, and thus it becomes taxable. The proposed exemption specifically mentioning blowers will ensure that all blowers receive the same sales tax treatment whether sold with or without furnaces.

This is likely to mean a revenue loss of $40,000 approximately. As the committee will see, really what it does is to remove an anomaly that arises by reason of the new type of hot air furnace.

The Deputy Chairman: Shall clause 8 carry?

Mr. Pickersgill: No. I thought we were going to call these items one by one?

Mr. Herridge: Mr. Chairman, I have a couple of questions referring to page 6 of this clause.

Mr. Pickersgill: Would my hon. friend not agree that we should take them up consecutively? We have taken blowers; now we come to doors. I think we would make much more progress if we could do this consecutively. If Your Honour would refer to each of the items, perhaps by the first word, then we could have an explanation from the parliamentary secretary about what it involves, because there was no debate at the resolution stage and there really ought to be an explanation in *Hansard* of what is involved.

Mr. Bell (Carleton): The next item deals with doors for buildings and door and window screens. This is purely for clarification purposes and to make clear that the doors are doors for buildings. It was put in previously with lumber, sash and so on, and doubt arose as to whether other forms of doors were included or whether it was simply doors for buildings.

Mr. Pickersgill: What other forms of doors did the parliamentary secretary have in mind?

Mr. Bell (Carleton): There are all kinds of doors, even doors for trailers, I suppose.

Mr. Pickersgill: It is very easy to say there are all kinds of doors. Which type of door is taxable?

An hon. Member: A door to a cell.

Mr. Bell (Carleton): I refer to a door in some moving vehicle such as a trailer, which is not intended to be covered by any item which is set forth in building materials. This is purely for clarification purposes.

Mr. Pickersgill: Let us suppose, for example, that a board fence is built around someone's property and he puts a door in that board fence. Would that door be taxable or free?

Mr. Bell (Carleton): I would think that would be a gate and not a door, but if it were held to be a door then this particular section would not apply to it.

Mr. McIlraith: Is not the point of this change that it clarifies the situation where doors in the former schedule related to lumber and the section now does not relate to lumber, it also relates to other kinds of materials? We have a great many aluminum doors being used in ordinary buildings. Is this not the kind of situation that is attempted to be covered?

Mr. Bell (Carleton): It now covers doors for buildings generally.

Mr. Pickersgill: There are practical problems that can easily arise. I can illustrate very clearly what they are because it so happens that in my own house in Bonavista bay I have a door which I bought and put on two trestles, and it is my dining table. Would that door be taxable or not? That door was bought as building material. It so happens that it was bought with the other lumber bought to build my house, but it is not part of the building itself. It is not attached to the building and it is not used as a door.

Is that door taxable? Am I going to have some snooper come around some day to collect 10 per cent on that door because it is not hinged to a door frame? This is the sort of thing that does arise.

Mr. Bell (Carleton): I would have thought the hon. gentleman would have offered to pay tax in relation to that item. If it were bought for an exempt purpose, namely for use as a building material and was converted to another use, then at that stage it would become taxable. I should think the hon. member would be very willing to pay the tax at the time the change in use was entered into.

Mr. Pickersgill: I think the hon. gentleman has contradicted himself, because at the time I bought it, according to the hon. gentleman's explanation, this door was lumber and therefore was exempt. Therefore I would not consider any tax exigible because of *ex post facto* legislation of this sort. I am suggesting that this legislation will create situations such as the one I have just described, and that we ought to be very clear that we are not going to create impossible administrative problems for the Department of National Revenue.

How is the lumber merchant who has to collect these taxes going to decide? How is the wholesaler going to decide at the stage at which these taxes are collected? I think the administrative problem here is much greater than the draftsmen seemed to realize when this was drafted. After all, the sales tax is not paid at the retail level. It is paid, as the hon. gentleman knows, at a much earlier stage. How is the person who pays the tax going to know, now that a member of parliament has set the fashion for the use of doors as tables, that this may not become the rage all over the country, and how is the problem going to be dealt with?

Mr. Bell (Carleton): I think the hon. member need have no concern about it having retroactive effect, because if he will look at clause 9 of the bill he will see that the day upon which this clause comes into force is the 21st day of June, 1961. Rather than creating administrative difficulties, as the hon. member seems to fear, the belief is that this will relieve administrative difficulties. I do not think the fact that the hon. member has disclosed what he uses as his dining room table in Bonavista bay is going to create a rage for such tables across the country. I do not think the Department of National Revenue is likely to encounter any difficulty on that ground.

Mr. Pickersgill: I am genuinely concerned about this matter. I am not in the least concerned about my dining table; I merely used it as an example. I am genuinely concerned, however, about whether a much greater problem of enforcement is not being created than the problem the government is seeking to solve. In view of the fact that the tax is paid at the level at which it is paid by a person who cannot know what the end use is necessarily going to be, how is it going to be determined that certain of these articles which normally are for the purpose of being incorporated into buildings are not going to be so used and therefore should be taxed, and how indeed is this tax going to be collected?

Mr. Bell (Carleton): This is actually a relieving section involving the widening of the present exemption. I think it must be recognized by the hon. member that the use for other purposes of doors designed primarily for buildings would be very limited indeed, and that really any problem in the administration of such other uses does not in fact arise.

Mr. Pickersgill: Would it not be simpler just to put in the words "doors and door and window screens" and not put in this limitation with respect to use in buildings? I really do agree with the parliamentary secretary's last observation that the number of people who use doors or window screens for other purposes than for buildings is so small and the amount of tax that would be lost is so infinitesimally small that creating this distinction is simply going to create a lot of involuntary lawbreakers.

Screens are used for other purposes. As hon. members know, I was brought up on a homestead and we used screens and windows in cold frames. They were not part of a building, and surely we are not going to go around trying to collect the tiny amount of tax involved in these cases. Would it not be better to strike out "for buildings" altogether and simply say "doors and door and window screens"?

Mr. Bell (Carleton): The situation then would be that this clause would relate to and be dependent upon the heading "building materials". The hon. gentleman realizes that in this particular schedule we are dealing only with building materials. There are a lot of other components including vehicles and apparatus generally that have doors. It might well be said that there are forms of mouse traps that have doors.

Mr. Pickersgill: They are not doors that are building materials.

Mr. Bell (Carleton): Trains and airplanes have doors. The intention here is to make clear that these are doors for buildings so that we do not have to rely wholly upon

the simple heading of "building materials". I think the hon. member would concede that it would be bad drafting practice if one had to rely wholly upon a heading to provide the limitation within the sections which follow that particular heading.

Mr. Pickersgill: I can see that the parliamentary secretary would have some point if the heading were not there, but obviously motor car doors or train doors would not be building materials at all, so that would explain itself. I am really quite seriously troubled by the idea of saying "doors for buildings" if it is intended to be construed as meaning doors that are used in buildings; but if it is intended to apply to every door that might be used for a building then I would not see any difficulty.

For example, from time to time I have seen doors of a certain kind used on delivery vans. They are the same kind of doors that are used in some buildings. I should think it would be the height of nonsense for the Department of National Revenue to be paying high salaries to people to go around and collect tax on the handful of doors used in the country for that sort of purpose.

If we are quite clear that what is meant by this language is doors that are capable of being used on buildings; doors that are, in other words, really building materials, and that all of them are exempt, then I would have no further quarrel, but if there is going to be some attempt made to collect the tax in the case of doors of that kind that are not actually incorporated into a building you are going to have an absolutely impossible administrative situation, and parliament should not allow these things to develop if they can be envisaged in advance. Perhaps it is not the function of an opposition to do so, but in this case I am trying to save the government from another embarrassment in addition to the many it already has.

At one o'clock the committee took recess.

AFTER RECESS

The committee resumed at 2.30 p.m.

Mr. Bell (Carleton): When the committee recessed at one o'clock the hon. member for Bonavista-Twillingate had raised a number of questions relating to the item dealing with doors for buildings, and had suggested that perhaps we might rely entirely upon the heading of this clause for building materials. My hon. friend shakes his head, but at least that is how I interpreted the hon. gentleman's comment.

I should like to say only that this is designed to simplify generally the administration. There are many types of doors which are not doors for buildings. The intention here, of course, is not to pursue in detail, as one could not do, those doors which are designed generally for buildings. This whole schedule has many end use items. Indeed, practically each of them is of an end use character. If one were to pursue each one to the nth degree of course it would become administratively impossible.

This amendment will enable the department to rely upon the section itself and not rely only upon the heading. In this way it will provide for administrative simplicity, as well as make it clear that it does not apply to those types of doors mentioned this morning, for mouse traps, trains and trailers, all types of doors which are not intended to be covered by the particular item under building materials.

Mr. Benidickson: Disregarding the reference to mouse traps, this morning reference was made to the fact that doors apply to trailers. When I occupied the position of parliamentary assistant to the minister of finance I think I exerted some influence in securing a reduction in cost to the consumers who purchased trailers. At that time we had indeed an expansionist program. At that time workers were moving across the country seeking and finding work. I refer to miners, construction, hydro workers and others. Under those circumstances it was most important, if they were to occupy temporary dwellings, that they should have the lowest possible tax impost on their housing arrangements. As one coming from northern Ontario I felt this was important.

In so far as trailers are concerned, as a result of the feeling that the consumer should be of some importance, an important reduction in the sales tax was arranged. This morning when we came to this item of doors for buildings it was a representative of the government who referred with some disdain to mobile homes.

Mr. Bell (Carleton): Not at all.

Mr. Benidickson: Trailers, shall I say.

Mr. Bell (Carleton): For illustration only.

Mr. Benidickson: For illustration only, but I want to say that when the economy was expanding people tend to join new industries and live in what I thought was referred to disdainfully by the parliamentary secretary as trailers. Inevitably annexes are added to these trailers. A tax reduction was provided on trailers some years ago, for which I take some credit. How would the doors for these annexes now be treated? I feel that they

would be out of court because this morning the representative of the government spoke rather assertively about trailers.

In the resource industries of this country, in the new areas of development, it has now become a practice that people bring in trailers for the purposes of having adequate dwelling places and then, as permanency is assured, they must add to the trailers and they put on annexes. As to doors and window screens with respect to such annexes as those with which I am familiar in all this new resource development area, are these items going to be denied the tax exemption? The hon. member for Bonavista-Twillingate very properly advanced the suggestion this morning that this defining language—and I am thinking particularly of the words "for buildings"—could perhaps be discarded. I say this because I am familiar with the kind of dwellings that have developed when there was real expansion in this economy and when people were living in trailers such as those to which the parliamentary secretary referred this morning.

Mr. Bell (Carleton): If the hon. gentleman is speaking of that essential and significant type of annex of which I think he is speaking, then it obviously is a building which has very high utility, and doors for such a building I think would unquestionably be exempt. The hon. gentleman has spoken of me as being disdainful of trailers. How he could have reached that conclusion I really do not know. I think it only illustrates the fact that he was grasping in some way at a straw in order to criticize this particular section of the legislation. The hon. gentleman knows, of course, that at the present time there is in the schedule an exemption which applies to trailers, and which reads as follows:

Seventy five per cent of the sale price if manufactured in Canada, or 75 per cent of the duty paid value if imported, of trailers for use as homes.

That is the existing exemption.

Mr. Benidickson: That is something I was influential in bringing into force.

Mr. Bell (Carleton): The hon. gentleman takes the credit for that and I will not deny him the bow which he gives to himself in relation to it. I am glad that he had that influence in those days.

An hon. Member: We are glad to know he did something.

Mr. Bell (Carleton): The hon. gentleman is an old favourite of mine, so I will not pursue that matter further. I would only say to him that the type of annex to which he refers, and which has a type of door with an exterior turn knob and an interior hook, I am sure would qualify under this exemption.

[Mr. Benidickson.]

Mr. Benidickson: I am very glad to have that assurance, Mr. Chairman, for this reason. Where there is some assurance of employment we know what happens. Everyone who experiences the movement to his constituency of these trailer camp workers knows that if there is a continuance of employment they require what I would call annexes to the custom built trailer machine and the doors that apply to it. I am glad to be assured that the doors and the window screens, if needed by these people, will have the tax exemption, although the parliamentary secretary this morning rather gave the indication that trailer people were the kind of people who had doors that would not be covered under this item.

The Deputy Chairman: Is the committee ready to proceed to the consideration of ducts for warm air?

Mr. Pickersgill: No, Mr. Chairman. I think I still have a word or two to say about doors, particularly since the hon. member for Carleton has brought in the question of end use. If we could have an assurance that the government intends that all doors that are sold as building materials are going to be exempt, or that all doors that really are building materials are going to be exempt, and that there is not going to be any foolish effort to find out that a door here or there may have been used as a table or a screen here or there may have been used in a garden for a cold frame, or a window used for that purpose, I think it would be of assistance; in other words, that the wholesaler or the manufacturer from whom the tax is collected, knowing that this is a building material, will know that it is exempt from tax and will not later on have someone come and try to collect the tax because the end use was not the use that is normally given to the article. If that assurance were given I think it would not be worth while pursuing the matter any further. If the parliamentary secretary could give that kind of assurance I think it would be reassuring to those from whom the tax will be collected.

Mr. Bell (Carleton): I can give my hon. friend that assurance immediately. There is certainly no intention of following each particular door. The only qualification at all that I would make is that if suddenly a rage developed, as a result of what my hon. friend said this morning, and people generally in cottages across the country were to adopt doors as a new form of dining room tables, there might have to be reconsideration of the matter. But I say to my hon. friend that there is no intention of following through at all. When a door is made ostensibly and obviously for the purpose of being incorporated into a building, then the odd case where it may be

put to some other use is not going to be followed through. If suddenly some new technique developed and it was used for other purposes, that would have to be considered and reported to parliament.

The Deputy Chairman: Ducts for warm air.

Mr. Pickersgill: Perhaps the parliamentary secretary would give his explanation of this item.

Mr. Bell (Carleton): Yes, I should be glad to do so. This really adds ventilation systems to the exemption. All finished ducts for warm air and ventilation systems will hereafter be exempt from sales tax. The exemption will not apply to sheet metal or other metals or hardware which enter into the manufacture of these ducts. That is the situation at present in relation to the more limited exemption. The committee will recall that in 1960 an exemption from sales tax was provided for:

Ducts for warm air systems for heating buildings, but not including materials used in their manufacture;

Subsequently difficulty was encountered by the industry in attempting to ascertain what portion of a manufacturer's output actually qualified for the exemption. The problem arose when some ducts were incorporated in ventilation systems, in which instance they were ruled to be taxable. To differentiate between taxable and non-taxable ducts became a troublesome and costly operation for the industry. The proposed change will do away with the problem by exempting all ducts for warm air and ventilation systems for buildings. As I have mentioned before, the materials entering into the manufacture of these ducts remain taxable, but the value added by the transformation of these materials into ducts will be exempt from sales tax. In other words it does away with a tax on the labour and other aspects which are needed to transform them into the finished product. The expectation is that the extension of this existing exemption, applying only as it now does to the warm air ducts, to ventilation will amount to some $70,000 in a full year.

Mr. Benidickson: Tax concession?

Mr. Bell (Carleton): Tax concession.

Mr. Pickersgill: This definitely is a new concession.

Mr. Bell (Carleton): Yes.

The Deputy Chairman: Will the parliamentary secretary proceed with fuel tanks now?

Mr. Pickersgill: I hope that we may have the same explanation with respect to fuel tanks.

Mr. Bell (Carleton): The purpose of this subclause is to provide that propane bulk tanks be given the same sales tax treatment as that enjoyed by fuel oil tanks when both types of tanks are used with furnaces for the heating of buildings and are directly connected with such furnaces.

Mr. Benidickson: What would it cost in a full year?

Mr. Bell (Carleton): In a full year it is expected it will cost about $175,000.

The Deputy Chairman: Would the parliamentary secretary now go on to lumber, and so on.

Mr. Bell (Carleton): As I explained this morning, Mr. Chairman, this involves no change except the removal of doors from the particular section. That is the matter upon which we had considerable discussion earlier.

Mr. Benidickson: The next item we get to, Mr. Chairman, is precast concrete piles, and so on. To what extent are we voting a tax loss here, a tax gain to the taxpayer?

Mr. Bell (Carleton): It is expected to be a tax loss of about $75,000 in the full year.

The Deputy Chairman: Have we covered precast concrete piles now to the satisfaction of the committee? Agreed?

Some hon. Members: Agreed.

The Deputy Chairman: We go on now to page 6, item (g).

Mr. Pickersgill: No, Mr. Chairman; I think the next item is prepared dry concrete mixes.

Mr. Bell (Carleton): This section recommends that the existing sales tax exemption for "cement and additives for concrete" be extended to dry concrete mixes. These dry concrete mixes may incorporate two or more of the following ingredients, sand, gravel, cement and additives for concrete, all of which are now individually exempt. They may also contain a bonding agent, which is taxable. These ingredients may be packaged separately or mixed in one compound, but in any case they are sold as a unit and are ready for use and have been considered to be taxable.

As concrete made on the site or premixed, wet concrete is not taxable it is intended to provide similar treatment for dry concrete mixes and all materials which enter into their manufacture. The revenue consideration would be very difficult to estimate. It is probably not large, but I do not have any actual estimate for the committee. In the consideration of the balance of ways and means no actual estimate has been given.

Mr. Benidickson: On the next item, Mr. Chairman—

Mr. Pickersgill: Mr. Chairman, I wonder whether my hon. friend would permit me to ask another question on this matter. Could the parliamentary secretary say whether these dry concrete mixes are made in Canada or whether they are imported?

Mr. Bell (Carleton): They are made in Canada.

Mr. Pickersgill: Exclusively?

Mr. Bell (Carleton): In large part. I am not able to give the proportion, but in large part they are made in Canada.

Mr. McIlraith: And they are becoming very popular.

Mr. Bell (Carleton): And they are becoming very popular, as my hon. friend from Ottawa West says.

Mr. McBain: Mr. Chairman, I wonder if we might revert to the subject of fuel tanks. I had to be unavoidably absent to answer a telephone call. My question is, are propane tanks that are used for the curing of tobacco, which are connected to a tobacco kiln, exempt from this taxation?

Mr. Bell (Carleton): I am informed that they do not come under the particular section that is involved here, but they do come under another schedule of the act dealing with machinery and apparatus that in the opinion of the minister are to be used directly in the process of manufacture or production of goods.

Mr. McBain: Will they be exempt from taxation under that other clause?

Mr. Bell (Carleton): I am so advised.

Mr. Habel: Mr. Chairman, I rose on this item when the matter was previously under discussion, but I forgot this question.

Mr. Bell (Carleton): Is the hon. member on the item concerning fuel tanks?

Mr. Habel: Yes. The government, which calls itself expansionist this year, certainly must have expanded to a certain extent because last year the hon. member for Nickel Belt was urging that this exemption be given. Our riding will indeed be pleased to see that at least this year the government has expanded enough to accept what was suggested by the opposition last year.

Mr. Bell (Carleton): The hon. gentleman will appreciate, of course, that the government is glad to take advice no matter from what source it comes.

Mr. Habel: Not always.

[Mr. Bell (Carleton).]

The Deputy Chairman: Would the parliamentary secretary proceed now to the item on page 6, milk and cream bottles, milk and cream cans.

Mr. Benidickson: No, Mr. Chairman. We were hoping to have an explanation with respect to prepared roofings for buildings.

Mr. Bell (Carleton): This is only for clarification, Mr. Chairman. The exemption adds the words "for buildings" to this exemption, so that it clarifies what obviously is the case in view of the fact that the item appears under the heading "building materials". This will be administered in the same way as I have indicated to the committee will be the case in respect to doors. The word "exclusive" is not used; therefore a follow-up check in each case is not in contemplation.

Mr. Benidickson: What would be the effect on tax revenue?

Mr. Bell (Carleton): I think it will be impossible to make any forecast. This really does not change the law in any way. This is simply a clarification. There is in fact no change in the revenue situation.

The Deputy Chairman: Is the committee ready for the item on milk containers?

Mr. Benidickson: Mr. Chairman, the next item is room thermostats. Is this significant in trade?

Mr. Bell (Carleton): No.

Mr. Benidickson: Is it significant in an expansionist budget, and to what extent is tax relief involved in this item?

Mr. Bell (Carleton): This is significant to the industry concerned, very much so, and is greatly welcomed by that industry. The position is that it involves a reduction in sales tax revenue which will be from $25,000 to $40,000 in a full year. The position is that this particular section proposes that all thermostats for use with permanent heating systems for the heating of buildings be exempt from sales tax.

The present administrative practice is to regard thermostatic controls sold with furnaces as components of those furnaces. As such they are exempt from sales tax under the general exemption for furnaces for the heating of buildings. However, when thermostats are sold independently they are taxable. In the session of 1960 a sales tax exemption was provided for electric heating equipment for use on a system using 200 volts or greater and permanently installed as part of an electrical heating system for buildings. However, the exemption specifically precluded from its benefits all wiring leading to and from such

electrical equipment as well as other materials connected to it. This resulted in thermostatic controls on this type of equipment being ruled as taxable.

The exemption proposed under this subclause will render all thermostats for use with permanent heating systems and materials entering into their manufacture, exempt from sale tax. Consequently thermostats for permanent heating equipment sold independently of furnaces will become exempt. As I have indicated, it involves a loss in revenue of between $25,000 and $40,000 a year.

Mr. Benidickson: Could I ask the parliamentary secretary whether these thermostats are made in Canada in the main, or are they mostly imported?

Mr. Bell (Carleton): They are made mainly in Canada, I am advised.

The Deputy Chairman: Would the parliamentary secretary go on with the item on page 6 concerning milk and cream bottles, etc.

Mr. Pickersgill: Mr. Chairman, before we go on to subsection 2, I should like to ask one question for clarification. Does this subsection 1 as reworded include all the items under building materials? That is to say, is this the complete law so far as the exemption of building materials from sales tax is concerned?

Mr. Bell (Carleton): Mr. Chairman, this reproduces the old section as it deals with building materials, and includes all changes to which attention has now been drawn.

Mr. Benidickson: How much does the overall tax forsaken amount to in dollars? I heard the figure $40,000 mentioned in respect to one item but very little about the others, and should like to know what is involved.

Mr. Bell (Carleton): Mr. Chairman, there is a substantial amount involved. The amount involved in respect to blowers for furnaces is $40,000; in respect to thermostats, $25,000 to $40,000; in respect to fuel tanks, $175,000; in respect to air conditioning ducts, $70,000; concrete piles, $75,000, amounting in total to something in the neighbourhood of between $400,000 to $500,000 per year. I might say that this has been welcomed very greatly by the industry.

Mr. Benidickson: Their spokesmen have said it is minimal.

Mr. Pickersgill: Mr. Chairman, I want to make sure that any taxpayers who want to know what the exempted items are can be sure that so far as building materials are concerned, they are all specified in this subsection?

Mr. Bell (Carleton): I believe the hon. gentleman is correct.

The Deputy Chairman: Shall the item in respect to milk and cream bottles, milk and cream cans and milk and cream plastic bags carry?

Mr. Bell (Carleton): Mr. Chairman, this item simply extends the existing exemptions for containers for milk and cream to cover the new type of container, namely plastic bags.

Mr. McIlraith: Mr. Chairman, the extensions I think will be welcome to the extent that they will help to relieve the pressure of higher costs on what are already becoming expensive products, and I refer to milk, cream and butter. Unfortunately while we have a very difficult situation in the dairy industry at the same time milk in its fluid form for consumption and butter are expensive products from the point of view of the consumer, and any extension in the exemption, such as the one contained here, will be welcomed. However, there is one point which is of concern to me and I should like the parliamentary secretary to clarify it. It will be noted that milk and cream bottles are exempted from excise tax, but paper cartons are not exempted, at least under this section. Are they exempted under any other section, and if they are, under what section?

Mr. Bell (Carleton): Mr. Chairman, they are exempted under the usual coverings section.

Mr. McIlraith: Would the parliamentary secretary read that exemption?

Mr. Bell (Carleton): Those cartons are exempted under the section we are now dealing with, and particularly under the phrase "usual coverings or usual containers to be used exclusively for covering or containing goods not subject to consumption or sales tax". This does not include coverings designed for dispensing goods for sale or designed for repeated use, but again that is subject to certain exceptions and the hon. gentlemen will see that bottles, cans and now plastic bags are among those exceptions. There being no exception in relation to those cardboard containers, so they fall under the general heading.

Mr. McIlraith: As I heard the clause read, Mr. Chairman, it does not seem to be as simple as the hon. member suggests. I hope his explanation is full and complete, but as I understand the general words at the conclusion of paragraph (g) they refer to materials to be used exclusively in the manufacture of the foregoing coverings and containers not subject to consumption or sales tax.

Mr. Bell (Carleton): I think if the hon. gentleman follows down that page he will note that the exceptions relate to those types of coverings and containers which are designed for repeated use. The ordinary cardboard container to which we have become accustomed is not designed for repeated use, so it comes under the general coverings section at the beginning.

Mr. McIlraith: I understand the usual coverings to be limited to those items set out and enumerated by letters.

Mr. Bell (Carleton): Oh, no.

Mr. McIlraith: If I am not right in that then of course that clarifies the position.

Mr. Bell (Carleton): The hon. gentleman I think has this in fact in reverse. This section applies to the usual coverings and does not include usual coverings which are designed for repeated use except the enumerated coverings. I think that is where the only difference of opinion can lie. The cardboard cartons are not designed for repeated use.

Mr. McIlraith: I am sorry to be persistent on this point, but I take it that the parliamentary secretary is trying to explain that cartons come under an earlier part of the schedule, where we are dealing with coverings or containers designed for dispensing goods?

Mr. Bell (Carleton): No, these particular containers come within the first two and a half lines of the section in respect of usual coverings or usual containers to be used exclusively for covering or containing goods not subject to consumption or sales tax. Subsequent portions of this section deal only with those coverings which are designed for dispensing goods for sale or for repeated use.

(Translation):

Mr. Boulanger: What will be the amount to the farmers of this exemption from sales tax for milk bottles and plastic bags?

(Text):

Mr. Bell (Carleton): Mr. Chairman, it would be very difficult to give a specific figure as to the actual losses in revenue which will result. These plastic containers for milk and cream have only come into use very recently and are not used to any great extent across the country now. Indeed, I think they are in use in only a few localities. It seemed very appropriate to put them in the same position as the usual type of container. As I have said, it would be very difficult to say exactly what the amount of revenue loss would be by reason of this inclusion.

(Translation):

Mr. Boulanger: Was there a tax before on milk and cream glass bottles, in other words, on ordinary bottles?

[Mr. McIlraith.]

(Text):

Mr. Bell (Carleton): Oh, no, of the ordinary type. If this amendment were not introduced there would be a tax upon milk and cream plastic bags because they are not interpreted as coming within the existing exemption in regard to milk and cream bottles and milk and cream cans. Actually this is a widening of the exemption and will be helpful to the dairy industry in both its aspects, to the farmer and to the retailer.

Mr. Pickersgill: Has the tax collector in fact been collecting the taxes up to now, or is this just in anticipation of the fact that these plastic bags may be taxable?

Mr. Bell (Carleton): This is a new article just coming into use, and my understanding is that those which have been used are subject to tax.

Mr. Pickersgill: That is not an answer to the question I asked.

Mr. Bell (Carleton): I am advised that in respect of those which have been used to the present time there has been a tax charged in conformity with the laws enacted by parliament, and the tax has been collected.

Mr. Pickersgill: Could the parliamentary secretary find out how much in toto has been collected in taxes in this regard?

Mr. Bell (Carleton): That would be very difficult to do. One would have to go back over a considerable number of sales tax reports. I will see whether there is any information available in this regard and, if so, send it to my hon. friend.

Mr. Pickersgill: That should not take very long, because the parliamentary secretary has suggested that this is a new article just coming into use and presumably there are not more than one or two manufacturers in Canada from whom the tax in this regard is collected. If the department's records are as up to date as they should be it should not take very long to find out approximately how much has been collected.

Mr. Bell (Carleton): I assure the hon. member that the department's records are up to date in all particulars. I shall see what the situation is and endeavour—

Mr. Pickersgill: Including Jean Talon hospital?

Mr. Bell (Carleton): On another occasion I will debate that matter with my hon. friend.

Mr. Benidickson: I take it that item (g) of clause 2 deals with a specialized field. The parliamentary secretary to the minister says that this was not previously covered in clause 2 of schedule 3 of the act. I refer to the usual exemption. Is the parliamentary secretary

saying that this amendment is required for the purpose of making clear that milk and cream bottles, milk and cream cans, milk and cream plastic bags and materials to be used exclusively in the manufacture of those articles from now on will be exempt from sales tax, which was not the case under the previous legislation having to do with usual coverage?

Mr. Bell (Carleton): Yes, that is correct, Mr. Chairman. These plastic bags for the sale of milk and cream do not come within the existing classification, which speaks of bottles and cans. They equally do not come within the first general section which I read earlier in response to the question of the hon. gentleman from Ottawa West, which deals with disposable coverings and containers. This item, therefore, gives a tax concession which has not heretofore existed.

Mr. Benidickson: We are dealing here with a throw-away article as against an article for repeated use?

Mr. Bell (Carleton): I am advised that these particular articles come within the classification relating to dispensing goods for sale.

Mr. Benidickson: Throw-aways.

Mr. Bell (Carleton): Yes.

The Deputy Chairman: Is the committee ready to discuss feeds for poultry, cattle and other stock and for fur bearing or laboratory animals?

Mr. Benidickson: Perhaps we can have an explanation.

Mr. Bell (Carleton): I knew what my hon. friend was going to ask about this. Perhaps I could describe the clause as an act for the relief of the parliamentary secretary from embarrassment, because in *Hansard* of 1960, at page 4674, in reply to a question from the hon. member for Kenora-Rainy River, I told him that the restriction which was then applied to animals "whose pelts have commercial value" would be removed. Then when the bill was up, at page 4853 of *Hansard* of 1960, I hid my blushes and told the house that the draftsmen thought the words should be retained to conform to what had been in the resolution. I went on at that time and added these words:

> I am advised, however, that the presence of these words in the bill in fact imposes no restriction on the exemption.

Later, at page 4854, I said:

> Therefore, while my answer was erroneous the net effect is the same and in fact there is no real restriction on the exemption by the continuation of the particular words.

After the 1960 amendment was passed it was discovered that there were special feeds sold for mice and rats and hamsters which are used for testing purposes in laboratories. Consequently the second statement which I made to the house was not fully accurate. Some of those feeds are found to be taxable under the existing exemption. This proposed exemption will provided freedom from sales tax for all feeds for fur bearing animals. I can only say to the committee that I very deeply regret that I should have unintentionally misled the committee of the house last year, and I describe this clause again as an act for the relief of the parliamentary secretary from embarrassment.

Mr. Benidickson: As the parliamentary secretary was good enough to point out, I raised this question in the house last year. I do not think it involves anything of great consequence to our taxpayers. I appreciate the parliamentary secretary's generosity in pointing out an inaccuracy that may have been involved in his explanation at the committee stage of the budget resolutions and the bills consequent thereon last year. It is my understanding that from the announcement of the budget resolutions the Department of Finance and the Department of National Revenue generally interpret the imposition of taxes upon individual taxpayers according to the intent of the resolution and its administration. Has the Department of National Revenue administered the sales tax in accordance with what the parliamentary secretary says was his intent last year or, on the contrary, have they felt obliged to ask for an amendment to the legislation because they felt that the interpretation of the statute last year did not give them the authority to tax in the way that is provided for in the legislation before us?

Mr. Bell (Carleton): I regret to have to advise the hon. gentleman that the Department of National Revenue did not take the words of the parliamentary secretary, or give them the value which he would have liked to attach to them, and they have interpreted the law strictly in relation to the item. I should add perhaps that the draft, in order to make absolutely clear what is intended, adds the words "or laboratory" after the words "fur bearing animals". This is not in the resolution, and this makes it absolutely clear what is intended in respect of it.

Mr. Pickersgill: I think the parliamentary secretary may unwittingly have got himself in for another lot of embarrassment. Of course I am not a draftsman and obviously neither is he, but it seems to me that again it is a question of end use. If it means that feeds for animals that might be laboratory animals are not to be taxable, whether the hamster is

used for laboratory purposes or is a pet, then I do not think he moved in any difficulty; but if the tax collector is going to try to collect the tax from children who have hamsters as pets but not in the case where the feed is fed to hamsters in the laboratories, I say this would be a shocking waste of the bureaucrat's time and this attempt to tax the pets of our children would be absurd.

Mr. Bell (Carleton): I am not sure whether I can define a hamster as either a furbearing or a laboratory animal, but it is either. In either case, whichever it may be, food of the type referred to here would be exempt.

Mr. Pickersgill: In other words there is not going to be any attempt made to tax the food of white mice if they are owned by children and are not in a laboratory.

Mr. Bell (Carleton): No, not at all.

Mr. Pickersgill: The minister is quite sure after his experience last year that the language is such that that will not be the unexpected result, as happened last year?

Mr. Bell (Carleton): The hon. gentleman will notice that this does not say "for use in a laboratory". It says "laboratory animals".

Mr. Pickersgill: That does raise a nice question of semantics. "Laboratory" is not an adjective; it is a noun. What is a laboratory animal? Has the hon. gentleman looked at the dictionary to find out what a laboratory animals is? Would it not be a lot simpler to say "or other animals" and cut out all these attempts to qualify; or is the hon. gentleman afraid that it might include food for some kind of animal that the treasury is very anxious to tax? I cannot really conceive of any kind of animal food, apart from those that are here stated, that anyone would want to tax. What kind of animals that are neither fur bearing nor laboratory animals, whatever a laboratory animal is, eat food that is subject to tax where the treasury is going to lose something? It just seems to me that there is a lot of nonsense here, to quote the minister's second favourite word.

Mr. Benidickson: Does the parliamentary secretary not think this language with reference to laboratory animals is unnecessarily overstated? It will not produce for the crown revenue of consequence and it might make lawbreakers out of some of us who encourage our children to have poultry, cattle and other stock as a hobby, and who perhaps might be ignorant of the obligation to pay a tax for feed. In particular, is it not a possibility that the vendor of these feeds is unnecessarily put under an obligation to question all purchasers in order to see that this technical language is adhered to?

[Mr. Pickersgill.]

Mr. Bell (Carleton): The committee seems to be under a misapprehension as to the purpose of the amendment, which is to expand, not to contract.

Mr. Pickersgill: That is exactly what I said.

Mr. Bell (Carleton): The situation is that most foods for animal pets come under the section of the Excise Tax Act dealing with foodstuffs; under the provision with respect to meats, canned, frozen, smoked or dried; under the provision respecting biscuits, which covers dog biscuits and things of that kind. This particular section has provided an exemption on feeds for poultry, cattle and other stock and for fur bearing animals whose pelts have commercial value. We are eliminating the words "whose pelts have commercial value". We are broadening the provision to cover all fur bearing animals whether or not their pelts have commercial value. We are adding to it because there are some animals which are not fur bearing. We are adding the words "or laboratory". What we are doing is expanding the exemption very considerably, and I think the committee should have regard to that fact.

Mr. Pickersgill: I do not agree with that statement at all. The parliamentary secretary said that last year he thought it included laboratory animals, so he is not expanding it very much. He is only expanding it to include laboratory animals, but I put this question to him. Apart from fur bearing animals or laboratory animals, what animals are there whose feed it is still proposed to tax? What kind of animals are these; snakes, snails? With respect to any animal that has any fur, it is obviously clear that the food for it cannot be taxed, and the food for any animal used in a laboratory cannot be taxed. The feed for poultry, cattle and other stock cannot be taxed. What are these mysterious animals on which the treasury is going to collect a tax to help the minister pay his deficit? What are these animals? Name them. If there are none, strike out the adjectives altogether so that it will read "feeds for poultry, cattle and other stock and for animals". Then there will be no doubt. It will be simple, and it will not turn the tax collectors into schizophrenics trying to figure out whether a particular animal is a taxable animal or a non-taxable animal.

Mr. Bell (Carleton): If the hon. gentleman were correct he could take no exception to the draftsmanship as it stands. If there are in fact no fur bearing or laboratory animals which are not exempt, then the hon. member has no case and he should be satisfied to let it stand as it is.

Mr. Benidickson: We rely on the good intentions of the administration in office for full information in matters of this kind. What are the classes that might be taxable and which are excluded under this definition? I think the administration owes it to the opposition, because of the administration's relationship with the officials of the taxing departments, to tell us why we have this kind of definition.

Mr. Bell (Carleton): Mr. Chairman, this is one of those situations which grow. It may be that there are comparatively few or, indeed, there may be none. I can only say to hon. gentleman opposite that as a result of the best consideration which was given to the matter by the Department of National Revenue and by the draftsmen of the bill, this seemed to be a reasonable approach to the matter. I have tried to be completely and absolutely frank with the committee and to indicate the position in which I found myself last year. It may be that the dropping of those words would accomplish the desired result, but without detailed consideration of that point by the department and by the draftsmen of the bill I would feel reluctant so to do.

Mr. Pickersgill: Would this include bird seed? A bird is not a fur bearing animal, and many birds are not laboratory animals. Is bird seed to be taxable? Would it include food for goldfish?

Mr. Bell (Carleton): I am not clear about goldfish but bird seed is exempt under another section, I am advised, and I think probably feed for goldfish—

Mr. Pickersgill: What about goldfish? How much does the treasury collect from the tax on food for goldfish?

Mr. Benidickson: How much does the treasury want to collect?

Mr. Bell (Carleton): I am sorry, Mr. Chairman, I do not have that information this afternoon. I am not sure what the position is with respect to goldfish. I can ask as many questions as hon. gentlemen opposite in relation to this matter. It is obviously not possible to answer all questions of that type on each particular item that may be before the committee.

Mr. Pickersgill: What we are doing here is making the tax laws of the country. We are saying what people have to pay into the treasury, and surely we should know—

Mr. Bell (Carleton): The hon. member seems to be more interested in goldfish than anything else.

Mr. Pickersgill: I know this government hates to have to explain its conduct at any time in any circumstances. We have had plenty of evidence of that in very recent times with respect to much more important things than goldfish, but that is no excuse for loosely drafted legislation. The parliamentary secretary has admitted that this part was pretty loosely drafted last year, and he has given a very frank explanation which I think does him credit. I am not criticizing him at all. I am saying that the language is still loose and still uncertain. If the treasury does not know of any animal feed for any animals that they want to tax, they do not need to put these adjectives in at all. All they need to do is to say feed for poultry, cattle, other stock and for animals. Then, there would be do doubt about it. The tax collector would not have to scratch his head and wonder if this animal was fur bearing or a laboratory animal or a pet or what it was.

I say, in the interests of clarity, unless there is some large lot of animal foods for some kind of mysterious animal that the parliamentary secretary has not heard about—perhaps pink elephants, but I suppose they are fur bearing, I do not know—why use restrictive language? Surely the government had something in mind in using these adjectival phrases to restrict the legislation. What is it? What are these animals? I think we ought to know or else we ought to say there will be no tax on food for animals, and let it go at that. Then, the law would be simple and clear and everybody would understand it. At lot of problems of administration could not arise.

Mr. Benidickson: Perhaps the parliamentary secretary would give consideration to this suggestion. I think the restrictive language is unnecessary. In the absence of any evidence that we are going to get important tax revenues by not having a broadened phraseology such as that suggested by the hon. member for Bonavista-Twillingate, why could we not have no reference in the introductory words that might apply to pet fish, inconsequential as that might be to the tax revenues? Let us make it clear that those who buy feeds for these purposes are not going to be lawbreakers. Let us make it clear for the vendor of all these feeds that he knows where he stands when he sells all these feeds, that they are tax exempt.

Perhaps before we conclude some of the clauses, the parliamentary secretary who has in front of him the officials of the Department of Finance and the Department of National Revenue, could give reconsideration to the matter, and my suggestion would be that we allow this clause to stand.

Mr. Bell (Carleton): The hon. member for Kenora-Rainy River, of course, knows very well how these exemptions arise. They arise from representations which are made from time to time by people in the industry who are affected. The only representation which was made subsequent to the amendment which was passed last year, and which in itself extended the exemption considerably, was one which was made on behalf of those who are producing certain feeds for mice, rats and hamsters in laboratories. They found they were caught under the very expanded language which existed at that time. It was to meet their situation, and the only situation of which the Department of National Revenue is aware, that this amended language was adopted. If there were other situations, and I think there probably are none, they could be met easily as has been done in this instance.

This is being done to meet particular circumstances. Hon. gentlemen opposite, I think, should recognize that there has been, on the part of those who have been involved in this question, the utmost good faith in attempting to be frank and straightforward and honourable with the committee. Apparently that is not the way to get along.

Mr. Pickersgill: Mr. Chairman, I resent that statement by the parliamentary secretary very much. It is our duty as an opposition—of course the hon. gentleman never had the advantage of sitting in the opposition—to ensure so far as we are able that the tax laws are in clear and simple language. Here is one particular law that was not in clear and simple language last year and which resulted in a misunderstanding and, as the hon. gentleman described, embarrassment for himself. He is now seeking to correct this situation by adopting other language that is not clear and simple and which is almost certainly going to result in further embarrassment.

There is one simple way to clear this whole thing up. The hon. gentleman has in front of him one of the officers from the Department of National Revenue. Let the parliamentary secretary tell us of any animal food that is taxed at the present time except those foods for laboratory animals. Surely the department knows what it is taxing, and if there is no other animal food being taxed, then there should not be a tax instituted by wording of a restrictive character. If he would drop these two adjectives so that the provision would just refer to animals, then the whole thing would be clear and there would not be any possibility of a situation arising in the next 12 months such as that which has arisen in the last 12 months. It seems to me this is a reasonable request and a simple proposition. If food for goldfish or some other animals is being taxed, and the government still want it to be taxed, surely they know what it is, they know where the tax is being collected, and they should tell us.

Mr. Bell (Carleton): It is quite obvious, Mr. Chairman, to the hon. gentlemen that I have consulted with the officials who are here. So far as fur bearing or laboratory animals are concerned, they are not able to give me any exact illustration. It may be that there are some animals in zoos, I do not know. Such officials as are here are not, of course, engaged in the day to day, immediate administration of these items. This provision has been considered in some detail and, with respect, I suggest to the hon. gentlemen that there having been one, solitary representation in relation to it, they ought to be satisfied to allow the measure to pass on its present basis without further ado.

Mr. Benidickson: The parliamentary secretary made reference to zoos. So far as I know zoos are almost always under the jurisdiction of organizations that are non-profit organizations. Certainly, we would not want to impose a sales tax on food for animals in the zoos of this country. I think we should encourage those organizations that have this interest and encourage them to enlarge their stable in these zoos. He thought that perhaps zoos might not be exempted.

Mr. Bell (Carleton): I said there might be; I am not in a position to tell my hon. friend. I shall be glad to get him any type of information he wishes in relation to the proposal. If my hon. friend wants to examine the problem in relation to goldfish or any of these details, I shall be glad to get him all the information in due course.

Mr. Benidickson: My suggestion to the parliamentary secretary was that he accept the suggestion made by the hon. member for Bonavista-Twillingate and be willing to eliminate the restrictive words in this new paragraph. This new paragraph in connection with feeds for animals involve four lines of definition—too wordy. My suggestion also was that we could go on with other clauses of this bill and that the parliamentary secretary might, in due time, feel that inasmuch as there was no consequential product that would become taxable because of the restriction of the language, he might allow this clause to stand until the language is clarified. Who is interested in taxing mice, rats, hamsters, pet fish and so on? Let us not have in parliament this restriction of language, if we have intent, that would make a possibility that some of these irrelevant items might be exempt from tax.

The Deputy Chairman: Is the committee ready to go on to the next item?

Some hon. Members: Carried.

The Deputy Chairman: It is on page 7, "Preparations, chemicals, or poisons".

Mr. Herridge: Mr. Chairman, I thought we were on "Feeds for poultry, cattle and other stock".

The Deputy Chairman: Yes. That was the item we just had under consideration.

Mr. Herridge: I wish to deal for a moment with this next item "Forest products when produced and sold by the individual settler or farmer" because I am interested in it.

Mr. Bell (Carleton): May I say to the hon. gentleman that there is no change in that at all.

Mr. Herridge: I wanted to ask just a question or two because I represent some farmers who sell from 1 million to 2 million or 3 million feet of lumber and timber materials a year. I want to ask whether these are exempt: all lumber produced under these circumstances in any quantity, timbers, pulpwood, cordwood for stove purposes, poles, fence posts, piling, ties, cedar boughs, ornamental trees, bean poles, float logs, boomsticks and shakebolts. I want to make certain that they all come under that classification.

Mr. Bell (Carleton): The hon. gentleman has mentioned a great number of articles of the forest. All the first ones which I followed I am assured are exempt. Then I confess that I got lost with the hon. gentleman's list. I think the hon. gentleman would not wish me to give legal opinions on the floor of the House of Commons. I should be glad to get the hon. gentleman all the necessary information. Indeed I think most of the items he has mentioned, if not all of them, are exempt. With such a long list it is very difficult to follow them all.

Mr. Herridge: I wish to point out that they are all forest products produced and sold by individual settlers or farmers in my constituency. Every one of the items I have mentioned is in that category. I just asked the question: Do they come under this clause? They are all forest products, every one of them. I mentioned cedar boughs, for instance.

Mr. Bell (Carleton): I did not catch the item mentioned by the hon. member.

Mr. Herridge: I mentioned cedar boughs, b-o-u-g-h-s. They clip two or three feet off the end of the cedar bough and they ship them to the undertakers in the various towns and the cities on the prairies. They are used for ornamental purposes. As to bean poles, there is quite a market for them now, for stringer beans, scarlet runners and things of that kind. Then there are float logs; they are cedar logs supplied for holding up floats on which machinery is placed. Then there are boomsticks. Boomsticks are logs supplied for forming bag booms.

Mr. Pickersgill: Such as they have on the Ottawa river.

Mr. Herridge: Then there are shakebolts. They are split sections of cedar logs averaging from two feet to three feet in length from which shakes are later split or sawn. However, they are forest products. I mention the matter because this was brought to my attention and some question was raised about this clause. Then there are railroad ties. I think we are fairly certain of the more or less stable products. However, there are some products here that are not manufactured or not sold generally by farmers from their woodlots and so on, but these products are all sold by settlers or farmers in my constituency off the forested portion of their properties.

Mr. Bell (Carleton): May I say first that there has been no amendment to this particular section, and I do not know whether we are in order in discussing it. The general heading is "Forest products when produced and sold by the individual settler or farmer". The hon. gentleman can interpret that as well as I can. He then mentions a long list of items. Some of them are not produced in my constituency. I am not familiar with them. I would not wish on the floor of the House of Commons to seek to give an opinion in respect of the tax status of each of those items. If they come within the generic heading "Forest products when produced and sold by the individual settler or farmer", then obviously they are tax exempt.

I am sure the hon. gentleman will be fair enough to realize that when he mentions a particular type of forest product with which I am not familiar, it will perhaps be difficult for me to give him a specific answer in relation to it. From listening to the list, so far as I can see I would say the products he mentions probably are all exempt. However, I should be glad to make a detailed inquiry on his behalf, particularly in view of the fact that this item is not being amended by the proposed legislation.

Mr. Herridge: I wish the parliamentary secretary would do that. I can assure him that they are all forest products and that

they are all produced by settlers or individual farmers. I wanted to be quite certain about one or two of them which are rather unusual.

Mr. Bell (Carleton): If that be the case, then there could be no question that they are sales tax exempt.

The Deputy Chairman: We now turn to page 7, "Preparations, chemicals or poisons".

(Translation):

Mr. Boulanger: Mr. Chairman, could the parliamentary secretary to the Minister of Finance (Mr. Bell) tell the house if chemicals used in the production of poisons for pest control purposes in agriculture or horticulture are exempt from excise tax? Could he also tell us if the materials that are used in the production of poisons against small animals such as rats and field mice that gnaw fruit trees in winter are exempt from that same tax?

Mr. Bell (Carleton): Yes, Mr. Chairman.

Mr. Boulanger: I asked the question because the text is not clear. In fact, it reads as follows:

—for pest control purposes—

Can we consider small animals like rats and field mice as pests? If I understand correctly, a pest—

Mr. Morissette: You know what a pest is.

Mr. Boulanger: It is an animal which resembles the hon. member who has just spoken.

(Text):

Mr. Bell (Carleton): I have not the French text in front of me. In the English version the language is "poisons for pest control". That certainly would clearly cover what the hon. member has in mind. I would think that the word "parasite", en français, would cover it as well.

The Deputy Chairman: The next item for consideration is—

Mr. Pickersgill: The parliamentary secretary has not told us how much of this is really new.

Mr. Bell (Carleton): This paragraph clarifies the existing exemption for and I quote:

Preparations, chemicals or poisons for pest control purposes in agriculture or horticulture and materials for use exclusively in the manufacture thereof.

This exemption was intended as a relief for the farmer by providing an exemption for poisons and insecticides. Recently the manufacturers have claimed that it is applicable to a number of pharmaceuticals on the ground that their use in treating skin diseases and internal disorders caused by bacteria, internal parasites and similar infections is, in fact, the control of a pest. This interpretation would broaden the existing exemption beyond what was originally intended and would also exempt drugs and medicines which are taxable when used in the treatment of human and animal diseases. The particular amendment is for the purpose of clarification and assuring that it conforms with what was the original intention of parliament.

The Deputy Chairman: The next item, as I was pointing out, is "Self-propelled, self-unloading forage wagons". Is there any explanation on the part of the parliamentary secretary?

Mr. Bell (Carleton): This covers a reasonably newly designed item of farm machinery and adds that to farm machinery exemption. It exempts a self-propelled wagon fitted with a mechanical device for unloading. The use of the equipment of course, as hon. gentlemen realize, speeds up the operation of transporting forage from the field and unloading it in a storage location. These vehicles have not been produced in Canada to any extent until quite recently.

Generally items of farm machinery are exempt from sales tax. They are covered by the wording of tariff items 409 and 409a and some other items which are listed in schedule III of the Excise Tax Act. However these particular forage wagons did not qualify under the wording of the tariff item and special mention is made in schedule III to make them exempt. It is very difficult to determine what the result of the exemption may be upon the revenue. It is probably not large, but it could be considerable if the popularity of these vehicles grows.

(Translation):

Mr. Boulanger: Will the exemption from excise tax on this machinery result in an increase in the price of milk? As you know, in the past three years, the price of milk has come down 40 or 45 cents per hundred pounds.

(Text):

Mr. Bell (Carleton): Mr. Chairman, I confess I am unable to relate what the hon. gentleman says, dealing with the price of milk, to the sales tax exemption on forage wagons. This sales tax exemption will reduce the cost of production for farmers, and by reducing the cost of production for farmers it will, I hope, enable them to make a larger profit. I think it has nothing to do with what the selling price of milk may be.

Mr. Benidickson: In subclause 3 of clause 8 of this bill we are dealing with items under the heading "farm and forest". In the budget

presented by the Minister of Finance, on the tariff side—and we have not had an opportunity to come to that yet—there are porposals which in the opinion of the Canadian Federation of Agriculture will increase the cost of production in agriculture, about which the parliamentary secretary just mentioned. I refer to the increase in tariff protection on nails.

In so far as the "farm and forest" schedule is concerned, belatedly referring it back to subclause 1 "building materials", what is the consistency in the proposals advanced now, relating sales tax to tariff? What is the consistency of certain reductions in schedule III under the heading "farm and forest" in relation to our discussion on certain items of reduction under the schedule "building materials" in subclause 1?

Would the parliamentary secretary explain to the committee, so that we may explain it to the farming community and answer the brief presented by the Canadian Federation of Agriculture, why on the other side of the tax field, the tariff side, after this budget, it is likely that for instance the cost of nails to the farmer will increase? What is the relationship between reductions under this "farm and forest" schedule and the other side of the budget picture which, in the opinion of the Canadian Federation of Agriculture, involves farmers in increased costs because of an increase in the price of nails?

Mr. Bell (Carleton): Mr. Chairman, as I understand the hon. gentleman's comment it is that in another bill there is an increase in tariff. The hon. gentleman wants me to reconcile an increase in tariff on nails with the elimination of sales tax on self-propelled forage wagons.

Mr. Benidickson: No, on the whole of subsection 3.

Mr. Bell (Carleton): The hon. gentleman is giving me a rather considerable task in asking me to reconcile those matters, which in my submission to the committee do not really relate. When we come to the question of the Customs Tariff and the item dealing with nails I will be glad to discuss that matter with the hon. gentleman, or the minister will be glad to discuss it with him, and I believe will satisfy him that the action proposed in respect of nails is one which is to the advantage of all Canadians, the producers of nails and the consumers of nails alike. I think at this stage, when we are dealing with self-propelled forage wagons, that is about all I can say.

Mr. Benidickson: I was not, of course, directing my comment to the item related to self-propelled forage wagons, preparations, chemicals, or feeds for poultry. I was referring to the heading of the subsection, which covers sales tax benefits or otherwise that are available to farm and forest people.

I simply thought it appropriate at this stage to ask the parliamentary secretary about the other side of the budget picture, when under another bill that will come before us, perhaps tomorrow, added protection will be given to the manufacturers of nails which has been protested by the farming community. I thought it quite appropriate, when we are dealing with certain eliminations of sales tax in the farm and forest field, to ask how this will compensate in dollars and cents value the farming community in relation to an impost they expect as a result of the tarif increase on nails.

Mr. Bell (Carleton): The whole situation with respect to nails will be dealt with in the committee when we reach the Customs Tariff. I will be glad to discuss the matter with the hon. gentleman at that time.

The Deputy Chairman: Shall we now proceed to the item dealing with additives for fuel oil for heating, etc.?

Mr. Pickersgill: Mr. Chairman, before we go to the particular items under that heading of "miscellaneous" I should like for a moment to express the disappointment I think is felt by everyone connected with the fishing industry because of the omission of certain tax relief they have been seeking in order to put the fishing industry on a somewhat comparable basis with other primary industries in the country.

The minister received representations from the Fisheries Council of Canada long before the budget with respect to certain changes they hoped would be made in the sales tax in this particular legislation. There was, as the minister well knows, a change made in 1939 with regard to diesel fuel supplied to draggers and trawlers measuring at least 45 feet in length and licensed by the Department of Fisheries. It is very difficult for those engaged in the fishing industry to understand why the fuel oil used by fishermen who can afford a boat measuring 45 feet or longer should be exempt from sales tax and it should not be the case with smaller boats.

There was a great hope that the fishermen of these smaller boats which cannot make a five-day voyage would be treated on the same basis as fishermen with larger vessels. I cannot find anything in the language here that would suggest this change has been made.

I am not an expert on this matter but just want to be sure that this request has been refused. I would be even happier if told that I am not reading the bill carefully enough

and that in fact it has been done. If that is the case, I will sit down at once and allow the parliamentary secretary to tell me so.

There was also representation made that the excise tax on diesel fuel oil used in internal combustion engines to generate electricity for commercial fishing industries should be dropped, as has been the case in regard to certain other primary industries. Again I make the same remark in that regard; if by any chance I have not found the change and it is here, I would be very happy indeed to hear about it. If there is no change in that regard then I must express regret that it has not been changed. This was done in respect to the logging and mining industries and it is very hard for fishermen to understand why they should not be treated in the same way. I am sure the parliamentary secretary can understand that feeling.

Mr. Bell (Carleton): He is very anxious to go fishing anyway.

Mr. Pickersgill: I beg your pardon?

Mr. Bell (Carleton): The parliamentary secretary is very anxious to go fishing.

Mr. Pickersgill: The parliamentary secretary is no more anxious to go fishing than the member for Bonavista-Twillingate is anxious to go to the fishing parts of this country instead of sitting here. I should like to be able to go and tell the fishermen that the government at long last has met some of the requests of the fishing industry. If it has I do not want to waste the time of the committee, but if it has not I want to make a plea that in the next budget, if we are ever to have another budget from this government—

Mr. McIlraith: You will not.

Mr. Pickersgill: —the government should do just what it has failed to do this year, that is, to pay some attention to the representations received from the fisheries council.

Mr. Benidickson: They will not have another chance. This is their last chance.

Mr. Pickersgill: This is something that is not of very great interest to the fishing industries in my constituency and perhaps in any part of Newfoundland, but it is of importance to certain northern fisheries in which an hon. member accused me the other day of taking no interest at a time when we were debating the Pine Point railway, which is apparently another vision like the Columbia river, according to what we were told this morning. The fisheries council asked that the sales and excise taxes be removed from certain vehicles such as snowmobiles and track type vehicles for use in respect of the northern fisheries in the wintertime. I cannot find in this bill any indication that this change has been made, but I would be very glad if told that this has been done. If it has not been done I hope if there is another budget presented by this government that consideration will be given to this change.

I know that the parliamentary secretary does not like any reference to nails.

Mr. Bell (Carleton): Only on appropriate occasions.

Mr. Pickersgill: I suggest this is an appropriate occasion. According to the brief presented by the Fisheries Council of Canada nails are plentifully used in the construction of sardine weirs and lobster traps and, therefore, a request was made that nails for this purpose should also be exempted from tax. It does seem to me that the time has arrived when some attention should be given to these requests of the fisheries council. I take this opportunity to record those requests and to say that I hope they will not be ignored much longer.

Mr. Bell (Carleton): Mr. Chairman, the particular section with which we are now dealing has reference to only two matters, additives to fuel oil and seismic shot hole casings, and does not deal with the matters to which the hon. gentleman has referred. Those matters are not new matters. I believe they have been referred to governments for some period of time, and I have no doubt that when my hon. friend occupied a position on the treasury benches representations in respect to these matters were made to him.

Mr. Pickersgill: I can assure the hon. gentleman that they were not, because at that time there was no exemption in respect of diesel fuel used by the lumber and mining industries, and it is only because of this exemption to the lumber and mining industries that the fishermen find it impossible to understand why they are not to be treated equally. This is a matter that has arisen since the present government came into office.

In respect to the question regarding this northern equipment, I am not able to say for sure whether representations were made five years ago, but I would be very doubtful that they were. There has been great development each year in the kind of machinery used for this purpose.

Regarding the other questions, I am not sure there was ever any such representation made before, but I would be very surprised to find that there was.

Mr. Bell (Carleton): From what the hon. gentleman said earlier he realizes there is a

very serious end use problem in relation to some of the matters he has raised.

Mr. Pickersgill: I am very well aware of that fact, but hope that the hon. gentleman is not insinuating that fishermen, if they had a tax exemption, would use diesel oil to go on holidays, because the average fisherman operating a small vessel must work all the time during the fishing season to make a living and does not have the opportunity of taking a pleasure cruise.

Mr. Bell (Carleton): I make no insinuations at all.

Mr. Benidickson: Mr. Chairman, we are dealing with a clause of the excise tax bill which is headed "Miscellaneous". We in the opposition do not receive regularly all the representations which are made to the government, in the course of a year, prior to its presentation of a budget. I should like the parliamentary secretary to give this committee, during the consideration of these items, information as to what representations have been made by individuals interested in the matter of the cost of living, particularly the less well off sectors of the economy, in respect to sales tax on food products such as margarine. I should like the parliamentary secretary to tell us whether the government has received representations throughout the year and what decisions have been made in this regard. I can find nothing included in this bill changing the sales tax in respect to margarine, and should like to know the reason why this has not been changed.

I should also like to ask the parliamentary secretary whether or not representations have been received during the year from soft drink manufacturers regarding the elimination of sales tax on their products and, if so, I should like to know why those representations have not caused this administration to revise the law in this respect.

Mr. Bell (Carleton): The hon. gentleman has dealt with two hardy perennial matters. The first deals with margarine and, as the hon. gentleman has said, there is no change in this bill in that regard. I was interested in noting that the hon. gentleman apparently advocated the elimination of sales tax on margarine and trust he was speaking in that respect for his party.

Mr. Benidickson: I did not say that at all. I asked for information in regard to whether the government had received representations of this kind.

Mr. Bell (Carleton): As the hon. gentleman knows, during the years he was parliamentary secretary representations were received in this regard and they continue to be received.

Representations also have been received in regard to the sales tax on soft drinks but the decision is as indicated in the bill before the committee.

Mr. Benidickson: No action.

(Translation):

Mr. Boulanger: Are we now on item 4, page 7 of the English version?

The Chairman: We are now on the fuel oil item.

(Text):

Mr. Boulanger: I did not refer to this item, but the item which has reference to materials such as drain tile not exceeding four inches in diameter. I should like to ask the parliamentary secretary why this has been limited to drain tile not exceeding four inches, because many farmers use much larger tiles in the construction of culverts, and would appreciate an exemption of tax in that regard.

Mr. Bell (Carleton): In respect of this item, Mr. Chairman, there is no change. It will be remembered that I dealt with the matter before the committee last year. My recollection is that there is another item. Drain tiles for agricultural purposes are exempt whatever their diameter may be.

Mr. Benidickson: What page is that?

Mr. Bell (Carleton): It is page 30 of the consolidation of August, 1960 of the Excise Tax Act.

Mr. Boulanger: Since last year—

Mr. Bell (Carleton): I think it has an earlier history. I was informed on this when it was before the committee last year. Because this is not a new item I have not informed myself this year. I cannot give the hon. gentleman the exact date. I shall be glad to look into it and write my hon. friend.

Mr. Boulanger: Last year, or it may be two years ago, I was in contact with a farmer who paid a tax on tile especially for drainage. I made representations at that time.

Mr. Bell (Carleton): I think this goes back to an earlier date than that but I would have to look into the details.

Mr. McIlraith: Some time prior to the 1957 revision.

Mr. Bell (Carleton): I think it goes back quite a little time. "Drain tile for agricultural purposes" as an exemption goes back quite a few years.

Mr. Benidickson: The hon. member raises quite an important point. I have had questions about this from my own riding. I refer the parliamentary secretary to the bill before us. This, of course, refers to present law. In subparagraph (3) he will find reference

to drain tiles for agricultural purposes. When we come to consider subparagraph (4) on page 7 of the bill before us we shall see a reference to drain tiles not exceeding four inches in inside diameter and 12 inches in length. Perhaps at a convenient time the parliamentary secretary would explain to the hon. member who raised this question the difference between the exemption in one subparagraph and the other.

Mr. Bell (Carleton): If they are drain tile for agricultural purposes they are exempt whatever their diameter and whatever their length. If they are for other purposes, then they are exempt only if they do not exceed four inches in inside diameter and 12 inches in length.

Mr. McIlraith: That is right.

The Chairman: Shall we proceed with the next item having to do with seismic shot-hole casing and materials used in the manufacture thereof?

Mr. Bell (Carleton): Mr. Chairman, I confess that until this was raised I did not know what a seismic shot-hole casing was. It is something that is used in tests to register vibration waves from underground explosions set off to determine the nature of subsoil geological formations in locations where oil and gas reserves are likely to be found. Recently a Canadian manufacturer commenced manufacturing these casings out of wax saturated paper.

This product competes with similar imported articles of steel which are not subject to sales tax as they enter Canada under tariff item 399a or 848, enumerated in schedule III to the Excise Tax Act. Under existing legislation, the Canadian product is subject to sales tax while the imported article is exempt from the levy. The proposed amendment will rectify the situation by making all seismic shot-hole casing and the materials used in its manufacture exempt from sales tax.

The Chairman: Shall we proceed with the next item having to do with laminated timber for bridges which is to be found on page 8 of the bill?

Mr. Bell (Carleton): Mr. Chairman, this is simply to provide for equal treatment between the various types of materials which are used in bridges.

Municipalities are exempt from sales tax on their purchases of structural steel and aluminum for bridges and precast concrete shapes for bridges in public highway systems. However, sawn and glued laminated timber which is often used in bridge construction as a material alternative to structural steel and aluminum has been held to be taxable. From a competitive point of view, sawn and glued laminated timber is just as strong and durable as structural steel and aluminum, or so I am advised, and it is said to offer the advantage of lower maintenance costs. It would appear that a number of municipalities have shown interest in using it instead of its metal counterparts.

The exemption of laminated timber purchased by municipalities for incorporation in bridge structures would put this product on the same sales tax basis as its competitors, aluminum and steel. Moreover the materials entering into the manufacture of laminated timber such as glue and other required chemicals will also be exempt.

Mr. Benidickson: We are dealing here in a broad way, Mr. Chairman, with the portion of schedule III of the act which refers to exemptions of sales tax for municipalities. I recall very vividly that when the Minister of Finance was in opposition he was a very strong spokesman for the idea that all the goods sold to or imported by municipalities for their own use and not for resale should not be subject to federal sales tax. Under the present regime we have had very few exemptions. Indeed, we have had increases in the over-all sales tax. It has gone from 10 per cent to 11 per cent on the items that are not covered here, and some others. Before we pass this paragraph we should hear from the spokesmen for the administration about their present views with respect to the propriety of taxing goods sold to or imported by municipalities for their own use and not for resale and in particular when a greater impost is involved today on some items than was the case in 1956 and 1957, when the Minister of Finance and others had so much to say about the injustice of taxing items purchased by municipalities and school boards which were subject to federal sales tax.

Mr. Bell (Carleton): I have already dealt with the only item which is actually changed in this particular schedule; but the hon. member is, of course, well aware of the rather substantial number of items which have been changed since 1957. The Minister of Finance has been responsible for the inclusion in this particular schedule of a large number of items which have meant a great deal to municipalities across Canada.

Mr. Benidickson: But the Minister of Finance said none of them should be subject to tax.

Clause agreed to.

Clause 9 agreed to.

Title agreed to.

Bill reported.

Mr. Deputy Speaker: When shall the bill be read the third time?

Mr. Pickersgill: At the next sitting of the house.

WAYS AND MEANS

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

CUSTOMS TARIFF

Mr. Fleming (Eglinton) moved:

Resolved, that the schedule to Bill C-116, an act to amend the Customs Tariff, now before the house, be amended by adding thereto the following:

Tariff item 209e, potassium chloride, British preferential tariff, free, most-favoured-nation tariff, free, general tariff, 25 per cent, (applicable July 3, 1961 to December 31, 1963);

Tariff item 210i, sodium hypochlorite in solution, British preferential tariff, 15 per cent, most-favoured-nation tariff, 20 per cent, general tariff, 30 per cent, (applicable July 3, 1961 to December 31, 1963);

Tariff item 263e, compounds of tetramethyl lead, in which tetramethyl lead is the preponderant constituent by weight, British preferential tariff, 12½ per cent, most-favoured-nation tariff, 12½ per cent, general tariff, 25 per cent, (applicable July 3, 1961 to December 31, 1963).

The Chairman: For the information of hon. members, this resolution is printed at page 4 of *Votes and Proceedings* for Friday, June 30, 1961.

Mr. Fleming (Eglinton): Mr. Chairman, the house was good enough to permit me to offer a word of explanation of this particular item on Saturday morning. The explanation is to be found at page 7352 of *Hansard*. In the budget speech I made reference to the fact that there were negotiations pending under the provisions of GATT with respect to sodium hypochlorite laundry bleach and I hoped that the negotiations might be concluded prior to the passage of the resolutions in the committee of ways and means. Actually the resolutions were reported out of the committee at noon on Friday. On Friday afternoon I received a message from Mr. Hector McKinnon, who has been conducting negotiations with the representatives of the United States at Geneva on this subject, that he had arrived at a package deal. It is contained in the amendment now put forward and which is to be found on page 4 of *Votes and Proceedings* of June 30.

In effect we are proposing three temporary items. The committee is aware that at the present time the tariff board is conducting under a reference a review of all the items in the Customs Tariff pertaining to chemicals. It was thought desirable that, pending this review of the entire chemical section of the tariff, the rates that have been applicable to sodium hypochlorite hitherto according to the general understanding should continue. However, we observe that there are three items involved here. As I say, these represent a package agreement with the United States in this regard.

Each of these items is temporary. Each of the three comes into effect, it is proposed, on July 3, 1961, and continues in effect until December 31, 1963. By that time it is expected that we shall have the report of the tariff board following its review of the whole field of chemicals and we shall be in a position then, with the assistance of the board's recommendations, to deal with these and other items.

The procedure on these matters, I am told, is that if the committee of ways and means approves this amendment the committee then reports the resolution as adopted and then I shall introduce a motion in the house to refer this amendment to the committee of the whole on the bill which is to follow.

Mr. Benidickson: Mr. Chairman, I think the minister would be the first to agree that this notice comes late to us. I think it is appropriate perhaps that these provisions should be incorporated in the amendments to the Customs Tariff. I take it that we will have full opportunity for debate in the same way as we will with respect to all the schedules that are associated with Bill No. C-116 amending the Customs Tariff.

Mr. Fleming (Eglinton): That is quite so. When these various steps are taken it will be just as though the resolution had been reported last Friday with this addition to it. When we are in committee of the whole on the bill to amend the Customs Tariff, this will be introduced there and will be open to debate in committee of the whole.

Resolution reported and concurred in and referred to the committee of the whole on Bill No. C-116, to amend the Customs Tariff.

CUSTOMS TARIFF

Hon. Donald M. Fleming (Minister of Finance) moved the second reading of Bill No. C-116, to amend the Customs Tariff.

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, I wish to make a very few observations with regard to the fishing industry on the second reading of this bill along lines similar to those I made in committee on the excise tax bill and to draw attention to the recommendations that were made to the minister on February 16 by the Fisheries Council of Canada. I have a copy of their letter in my hand at the present time. I should like to save the time of the committee by reading certain sections of this letter and by making their requests my own.

The fisheries council points out that the fishing industry derives two thirds of its income from sales made in the export market. Indeed, so far as I know there is no industry that depends more for its prosperity on the export market than the fishing industry does. One half of its total income is derived from sales in the United States. This really gives emphasis to two points, first, that the industry must sell on world markets in competition with other large fish producing nations and, second, that in the fishery we are very dependent on the United States market.

Then the letter goes on to point out how increasingly difficult it is in that industry to compete with countries such as Iceland, France, Norway, Denmark, Japan and Peru which have lower standards of living and where the degree of subsidization of the fishing industry exceeds anything ever thought of in Canada. This is simply to emphasize the fact that the fishing industry, if it is to survive at all much less provide a decent income for those engaged in it, has to be competitive. It is true also that the costs, as the fisheries council points out, have been advancing faster than the prices received for the product. That is not true in every case but in most cases.

One of the difficulties is that there has been inability to modernize the fleet, particularly on the east coast, and notwithstanding the announcements made repeatedly by the government they still have not brought forward their regulations for the aid they propose to give in this field. I am not going into the problems we have with competition right in our own waters because this is not really strictly relevant.

I go on from there to the budget proposals that were made to the minister so far as the Customs Tariff is concerned. I have already said something about those so far as excise tax is concerned. I should like to run over them briefly. The first was with respect to tariff item 682 which provides for the free entry of fishing nets and nets of all kinds. This is an item which is bound under GATT and the fisheries council was disturbed that there might be some attempt made to impose a tariff in this respect. However, I understand that fear was not in fact realized, I am happy to say.

Then, they went on to make representations with respect to some items that had a duty that should not have a duty. I want to say in general terms at this point that it does seem to me the time has come when the fishing industry should be put on a genuine basis of equality with the farm industry in respect of its instruments of production. This ought to be our goal. I come to these particular items. One was trawl doors. I am not going into the details of them. Another item was inflatable life rafts and a third was aluminum fishboxes and pen boards. It seems to me that, in view of the importance of these items in the export industry, there was a very good case for giving consideration to them.

Under tariff item 418, they ask that certain changes should be made in respect of machinery and apparatus and parts thereof for use exclusively in the manufacture of fishmeal, liquid fish and fish solubles, stock and poultry food and fertilizers from fish and waste products thereof. They endorse certain suggestions for negotiations under GATT in this regard.

The next item was a proposal for a change in item 211x. Then there was another suggestion with respect to vessels, item 439g. There was another in respect of cordage in combination with metal strands; another with respect to recording paper. I am not going to take the time of the committee to read these. There was another very important one with respect to salt fish driers. I may say that there is nothing more important than getting the cost of salt fish driers down to the lowest possible figure because our whole competitive position in the salt fish market depends on getting the cost of our product down to a competitive level with other producers.

I have in my hand a bulletin of the Fisheries Council of Canada, which appeared on June 26. The fisheries council was very disappointed in the budget so far as the Customs Tariff was concerned. They said that action taken in respect of the duty on anchors ignored the advice of the council. It should be made clear that the duty would not apply to commercial fishermen. In future there will be a 15 per cent duty applied on all anchors of less than 40 pounds in weight from the commonwealth or most favoured nation countries. Those weighing 40 pounds or more will continue to come in duty free. Surely, this government is not so much in need of revenue that it has to apply a duty on small anchors.

Then, of course, there was the admission of live trout for commercial trout farms. The council was pleased with that but it is not going to help the fishing industry generally very much. Machinery for use in making nets or netting is placed on the free list from most favoured nation countries, a reduction from a 5 per cent rate, for which they were glad. They said these were the only tariff changes of any direct interest to the fishing industry. I do feel, sir, that anyone who like me represents a community that is dependent on the fishing industry for its livelihood, is justified in expressing the disappointment

that the fishing industry is not treated in the same way that the farmers are treated in respect of taxes.

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

On clause 1—*British preferential tariff.*

Mr. McIlraith: The minister did deal with this at the resolution stage, but to be quite clear I take it that the term "specified port" is wide enough to include all places, whether seaport or airport, as the case may be.

Mr. Fleming (Eglinton): That is the purpose of the clause.

Mr. Benidickson: I take it that, by the provisions of clause 1, we are just regularizing what has been the practice, and whether or not goods came in by air at one port or another it has been the practice of the department to grant the British preferential tariff. We are just making sure now that if an import arrives by air or otherwise it will receive the same classification as if it had been brought in at one of the lake or seaports, is that correct?

Mr. Fleming (Eglinton): That is correct; this modernizes the clause in keeping with the practice that, in fairness, has been observed.

Clause agreed to.

Clause 2 agreed to.

On clause 3—*Schedule A amended.*

Mr. Benidickson: I should like your ruling, Mr. Chairman, as to when we will have an opportunity of considering the various items in the schedule. We did deal with some items at the resolution stage, and I, for one, have no more questions in respect of the items we discussed last Thursday. Is it appropriate now to consider item by item the amendments to the Customs Tariff schedule that relate to resolution No. 3, or would we do so after carrying this clause and coming to the schedule?

Mr. Fleming (Eglinton): It might facilitate the discussion, now that we have reached clause 3, if we turned now, before completing consideration of clauses 3 and 4, to the schedule and dealt with the schedule. I shall have, as I indicated earlier, an amendment to add another part, being part IV of the schedule.

Mr. McIlraith: I take it the items in the schedule would be called item by item.

Mr. Fleming (Eglinton): If that is the wish of the committee.

The Chairman: I shall call the items in the schedule, part I, item 522.

Mr. Fleming (Eglinton): Part I relates to the textile items and we spent some considerable time in committee on these. I think the committee might be willing to take this part a page at a time.

Mr. Benidickson: In connection with part I, I think last Thursday the minister indicated that these items involved some renegotiation of our commitments under GATT and that the *quid pro quo* was to be found in this part. I think the minister also indicated to us then that perhaps, in so far as trade volume was concerned, tariff item 568 represented the major item, namely the knitted garment item. We had a fairly full discussion about this item and I am not going to be repetitious. However, I take it that we have here in a package the result of the desire of Canada to renegotiate after certain tariff board recommendations have come down: I take it that we have here the changes that the government believes necessary as a result of those tariff board recommendations. We also have in the same package the tariff changes with respect to textiles that are necessary because we had certain obligations to other trading nations in GATT and they are all contained in this part I. Am I right in that assumption?

Mr. Fleming (Eglinton): Yes. Part I consists entirely of textile items in the tariff. As I explained the other night, these changes arise out of three reports made by the tariff board. They have all been the subject of negotiation with the countries in whose favour these items were bound. The result is that we have arrived at agreement under the terms of GATT. This is a case where the compensation to which other countries were entitled was found entirely within the scope of the changes proposed. In other words, we have here a balance or, as I have called it, a package deal satisfactory to the countries which are interested under GATT in the terms of our tariff on textiles.

Mr. Benidickson: May I say this just for clarification? I wish to be completely assured that, when the government acted after receiving the reports of the tariff board with respect to textiles and when it felt obliged under its treaty obligations to deal with other countries, every *quid pro quo* which adjusts our tariff import rates with respect to textiles is to be found in the section with which we are now dealing. Am I right in that assumption? In other words, we are not trading textiles for apples or other products in any shape or form here?

Mr. Fleming (Eglinton): These items all relate to textiles, Mr. Chairman. The textile items have all been concentrated in this particular part I of the schedule to the bill. There are none but textile items involved here. This contains the entire package deal made in accordance with the provisions of GATT in relation to the changes in the textile items in the tariff.

Mr. Benidickson: I think the latter part of the minister's statement is clear. However, I want to be absolutely sure that, in so far as any opportunities given to exporters of products other than textiles are concerned, we cannot find elsewhere in these schedules anything that relates to the changes that the minister proposes to us with respect to textiles other than in this package.

Mr. McIlraith: Perhaps I could expedite matters by asking one or two questions which are on my mind but which are not fully applicable to the first item. I can specify the items as I go along and put the question now.

In the new schedule before us I noticed considerable reference to the end use as a method of defining the item for tariff purposes. It is a practice which, as a matter of principle, is probably quite undesirable but which unfortunately is necessary in the kind of society in which we live. For that reason I have no particular objection to it, although it does not make for a tidy way of enacting legislation.

I would draw the minister's attention to item 534c which reads as follows:

Blankets, blanketing and lapping for use by textile manufacturers on machines used in the manufacture of textiles.

I think everyone will agree that it is desirable to help the textile industry in its production costs and this is apparently an attempt to do so, as the items are free under the British preferential tariff, free under the most-favoured-nation tariff, and free under the general tariff. My question on that item is this. Is any of this material covered by this item manufactured in Canada? Also, from which country do the imports come? That is to say, do they come from countries under the British preferential tariff, the most-favoured-nation tariff or the general tariff?

Then the next item with which I am concerned, namely item 562j, reads as follows:

Bolting cloth for sifting flour in flour mills.

This is a wholly new item. It is free under the British preferential tariff, free under the most-favoured-nation tariff and the general tariff is 45 per cent. If this item is free under the most-favoured-nation tariff and free under the British preferential tariff, I take it that it is not made in Canada. If it is not made in Canada, why do we apply such a high tariff rate against it as that shown in the general tariff column?

If I understand correctly from the method of defining the item by reference to the end use of the product, our interest would be to assist the flour milling firms; and that interest would be to assist them in order to enable them to keep down the cost of flour both to the Canadian consumers and for export. In both areas I think all hon. members will agree that it is desirable that the cost of flour be kept down. We have just had an increase in the flour prices as a result of this very budget with which we are dealing. It is also well recognized that our flour milling firms are having great difficulty in the export field. Can the minister explain that apparent inconsistency in item 562j?

Mr. Fleming (Eglinton): First of all, may I comment on the matter of end use items. I suppose it would be a happier world for those who have to draw tariff items or administer them if it were not necessary at times to have resort to the so-called end use items. However, the fact is that, distasteful as it sometimes is to legislate in terms of end use, it is the only way very often in which to achieve justice, and to accomplish the goal desired by parliament. So far as these items in the present bill are concerned, I am informed that there has not been any extension of the end use principle, so that there should not be any more difficulty in administration in this regard than there has been hitherto.

The first item mentioned by the hon. member was item 534c. Here the principal source of imports is the United States. The United Kingdom is second, and it is a relatively small second in comparison with the volume and value of imports coming from the United States. In this case the change was requested by Canadian blanket manufacturers to preclude the possibility of blankets and blanketing being imported by Canadian manufacturers for further processing into blankets, clothing and other manufactured articles for resale. In relation to 562j—

Mr. McIlraith: Mr. Chairman, just before the minister leaves item 534c could I put another subsidiary question to him. Is any of this material made in Canada?

Mr. Fleming (Eglinton): I understand it is not.

Mr. Benidickson: That is why it is free.

Mr. Fleming (Eglinton): Item 562j, bolting cloth for sifting flour in flour mills. I am informed that this material is not made in Canada. The leading countries which have been the source of these imports have been

Switzerland and the United States, both of which have most-favoured-nation status. So that in this item we have now the proposal for free entry for B.P. and m.f.n. rates. The general tariff is of little consequence because so far as I know there is nothing coming into Canada under the general item anyway.

Mr. McIlraith: And nothing made in Canada?

Mr. Fleming (Eglinton): No; I mentioned that earlier.

Mr. McIlraith: I just do not understand the logic of this. If we do not make in Canada bolting cloth for sifting flour in flour mills, and we draft the item in the language in which it is drafted, surely our interest is to enable these flour mills to get the cheapest possible bolting cloth they can.

I realize there is very little importing done under the general tariff, but surely if it is free under the most-favoured-nation and British preferential tariffs we should not put this prohibitive general tariff on it in case some country that we are not aware of at the moment does start production of this cloth, and our interest is in getting the cloth in at the cheapest possible price for the flour mills.

Mr. Fleming (Eglinton): We are getting the cloth at the cheapest possible price now by reason of free entry under the B.P. and m.f.n. rates. This is the way in which we establish the fact that value is attached to the m.f.n. rate when we negotiate. The fact that the general rate is 45 per cent is not hurting anybody now because I am told there are no imports, or virtually no imports from the general rate countries. This is the way we establish the value of concessions to those countries that are on an m.f.n. basis.

Mr. McIlraith: In other words the minister is using some gentle persuasion to have them move into the most-favoured-nation groupings or to bargain with us for better concessions for admission of our products into their countries. If that is the case I have no quarrel with the minister on this occasion.

Mr. Benidickson: On that point, I take it that this 45 per cent rate would perhaps be important in connection with our outlook on trade, say with China or Russia. Russia is not in the most-favoured-nation tariff group, is it?

Mr. Fleming (Eglinton): Both Russia and China enjoy most-favoured-nation status.

The Chairman: Shall page 3 of the schedule carry?

Some hon. Members: Carried.

The Chairman: Shall page 4 carry?

Some hon. Members: Carried.

The Chairman: Shall part II of the schedule carry?

Mr. Benidickson: With regard to part II, I think the minister indicated that this involved additional international negotiations under our treaty arrangements. Would the minister explain a little further the *quid pro quo* basis? I should like a more detailed explanation than the minister gave in his budget speech.

Mr. Fleming (Eglinton): As I pointed out on Thursday evening when we were dealing with this matter in the committee of ways and means, the items that are embraced within part II of the schedule to the bill are items that are bound under GATT and the changes in the rates that are bound under GATT of course have been negotiated. Agreement has been reached with all of the countries in whose favour these items were bound. There have been various individual discussions and there have been negotiations which have resulted in agreement. The terms of agreement are found entirely within the terms of part II of the schedule. In other words, while there have been various discussions with respect to different items, we have in the end arrived at an agreement and part II embraces the totality of both the increases and the concessions, so that we have arrived at a series of agreements in regard to such items with the countries in whose favour they were bound.

The Chairman: Shall part II carry?

Mr. Benidickson: No, Mr. Chairman. With respect to textiles—

Mr. Fleming (Eglinton): There is nothing here respecting textiles.

Mr. Benidickson: No, but with respect to textiles we were informed that the trading involved concessions on our part. As compensation we paid solely by concession, relating to textile items. With respect to the items in this schedule could the minister indicate what were the principal items of Canadian export where there was a necessity to make a concession in order to make it more advantageous to certain producers in Canada. I ask this question in light of these changes in rates.

I refer primarily of the items relating to poultry. In order to increase our impost against imports of poultry, what industries which normally exported products from Canada were given a less advantageous position in the export market?

Mr. Fleming (Eglinton): Mr. Chairman, we can put aside the poultry item at once. The poultry item was the subject of separate negotiation entirely and here we have a rate

with respect to eviscerated poultry and a rate with respect to live poultry. This is all it is, a package deal negotiated with the United States, so that we now have reciprocity in rates. As I am sure the hon. member is aware, this has been hailed by Canadian poultry producers as being of very great advantage to them.

As to the other items on which increases are involved, may I say that as a result of various negotiations we have agreement with respect to all of those. The hon. member can go through the list and find where the decreases are which we used as concessions. The hon. member asks his question as though these were export items. That is not the basis, Mr. Chairman. Many of these are items on which there is no export by Canadians. This is a matter of our having obtained agreement on the part of these countries to our increasing the tariff on other items in part II in return for decreases in the items that I am now about to read: 9b, quails partridges and squabs; 105k, mint flavoured pineapples; 152e pineapple juice; 187c, photographic dry plates; 197h, filter paper for use in the manufacture of vacuum bags.

Mr. Benidickson: What are the dollar values of imports of this item?

Mr. Fleming (Eglinton): May I just complete the list?

It continues: 199m, paper backing for carpets; 425b, engines and parts for power mowers; 427e, machines and parts for making cigars and cigarettes; 438h (2), motorcycles with an engine capacity of more than 250cc.; 463d, lenses and shutters for projectors; 658, video tape not including video taped commercials.

Those are the concessions in return for which we have obtained agreement to the increase in the other items.

(Translation):

Mr. Boulanger: Has there been any change with respect to the tariff on turkey eggs for hatching?

(Text):

Mr. Fleming (Eglinton): There is no change in the tariff on turkey eggs, Mr. Chairman. Turkey poults, baby ducklings and goslings are classified under item 9c. Baby chicks are classified under 9d. There is no change in the rates on either item.

(Translation):

Mr. Boulanger: Have the Quebec and eastern Ontario poultry farmers not asked the minister to change the tariff on turkey eggs for hatching?

(Text):

Mr. Fleming (Eglinton): Mr. Chairman, we have had representations from some of those engaged in the business of producing turkey hatching eggs seeking an increase in the duty thereon, but I am told that there have been some differences of view among those in the business with regard to an increase in the tariff protection in respect to turkey eggs for hatching.

Mr. Benidickson: Mr. Chairman, I thought the minister in his last statement intended to indicate first of all that the poultry items resolved themselves by the concession back and forth within that trade group. I think he referred to item 425a and said that perhaps in this schedule power lawn mowers represented a concession we had given. In so far as the first item is concerned, it looks to me to be the very opposite, that we have increased our tariff rates. Then, with respect to item 427e, automatic machines—

Mr. Bell (Carleton): I think it is item 425b to which the hon. gentleman should be referring.

Mr. Benidickson: I thought the minister referred to item 425a, and then said the concession had regard to item 425b, air cooled internal combustion engines. What was the over-all involvement to the trade regarding the renegotiation of this particular part of the amendment?

Mr. Fleming (Eglinton): Mr. Chairman, there is one correction I should like to make in my remarks made earlier. I may have given the committee to understand that the items on poultry had been completely balanced. That is not so. We have, of course, a substantial advantage in the changes made here for Canadian poultry producers, and this was part of the wider negotiations which included some of the items which I have read to the committee as being items upon which we made concessions in order to obtain the substantial advantage which is provided here in respect of poultry.

The hon. member asked a question in respect of item 425b. I am told that there are no import statistics available in this regard. I might say that our purpose with respect to items 425a and 425b was to enable Canadian producers of these power lawn mowers to compete more effectively with the foreign competition to which they have been subject. Many of these parts were found not to be made in Canada. This result has been achieved by a reduction in the tariff on parts and an increase in the tariff on finished machines and will result in the production of more of the finished machines in Canada.

Mr. Benidickson: That would be the explanation in regard to the reduction in the tariff in relation to item 425b (2) where the rate for the most-favoured-nation, and I assume that

is the United States, goes down from 15 per cent to 10 per cent. Would that be largely the components of the item?

Mr. Fleming (Eglinton): Yes.

The Chairman: Shall part II carry?

Some hon. Members: Carried.

The Chairman: Shall part III carry?

Some hon. Members: Carried.

Mr. Fleming (Eglinton): Mr. Chairman, I have an amendment which will add a part IV.

Mr. Benidickson: Is that the amendment of which the minister gave notice in *Votes and Proceedings*?

Mr. Fleming (Eglinton): This is the one which was discussed earlier this afternoon and is in the same form as that which appears at page 4 of *Votes and Proceedings* of last Friday. It adds three items to the bill; these will comprise part IV of the schedule. As I say, it is in precisely the same form as in *Votes and Proceedings*. I shall now ask my colleague the Minister of Defence Production to move it.

Mr. O'Hurley: Mr. Chairman, I should like to move:

That the schedule to Bill No. C-116, an act to amend the Customs Tariff, be amended by adding thereto the following:

PART IV

Tariff item 209e, potassium chloride, British preferential tariff, free, most-favoured-nation tariff, free, general tariff, 25 per cent, (applicable July 3, 1961 to December 31, 1963);

Tariff item 210i, sodium hypochlorite in solution, British preferential tariff, 15 per cent, most-favoured-nation tariff, 20 per cent, general tariff, 30 per cent, (applicable July 3, 1961 to December 31, 1963);

Tariff item 263e, compounds of tetramethyl lead, in which tetramethyl lead is the preponderant constituent by weight, British preferential tariff, 12½ per cent, most-favoured-nation tariff, 12½ per cent, general tariff, 25 per cent, (applicable July 3, 1961 to December 31, 1963).

Mr. McIlraith: Before the amendment is dealt with, Mr. Chairman, I would like to suggest that we do not have the benefit in respect to this part of the extension of an indication regarding the tariff position prior to the budget. Is the minister in a position to give us that indication now, item by item in relation to each of the three, and explain the significance of the applicable dates regarding the materials described in the three items?

Mr. Fleming (Eglinton): I dealt with the latter point when we were in or going into the committee of ways and means earlier this afternoon. It is done this way so that the items, which are now under review of the tariff board in the chemicals reference, may be the occasion of study by the tariff board, and we may have the benefit of their recommendations before these items expire at the end of December, 1963.

Mr. McIlraith: What happens when they expire?

Mr. Fleming (Eglinton): They are being made to expire then so that parliament may be in a position to deal with them at that time in the light of the report which is expected to be received from the tariff board prior to that date.

Mr. McIlraith: Assuming parliament does not do that, what will happen?

Mr. Fleming (Eglinton): The items will then expire.

Mr. McIlraith: The items will then come in free.

Mr. Fleming (Eglinton): I am going to deal now with the first question asked by the hon. gentleman. I wish to point out that these are all new items being taken out of other items of the Customs Tariff. May I say that the Canadian item in respect to which the tariff has been increased is the middle one, 210i, sodium hypochlorite in solution. The other two, 209e with respect to potassium chloride and 263e relating to compounds of tetramethyl lead, were the items on which we have agreed to reductions in return for agreement on the part of the United States to the increase in the tariff on sodium hypochlorite in solution. To give a comparison, Mr. Chairman, the rates at the present time on potassium chloride are—I will just give the three under the regular headings—free, 15 per cent, 25 per cent, so that it will be seen that the general rate remains unchanged; the m.f.n. is reduced from 15 per cent to free, and the B.P. rate continues free.

On the second item, the present rates are free, 12½ per cent, 25 per cent, or free, free, 15 per cent. The alternative figures depend on the size of the bottle in which the sodium hypochlorite comes.

Mr. Benidickson: Is it free to the most-favoured-nation?

Mr. Fleming (Eglinton): I am going to speak on that. This means that the British preferential rate today is free in both cases and will become 15 per cent. The m.f.n. rate is 12½ per cent in one case and free in the other. It will become 20 per cent. The general tariff is 25 per cent in one case and 15 in another, and it becomes 30 per cent.

Mr. Benidickson: For the record, when the minister says "in one case" what does he mean?

Mr. Fleming (Eglinton): Depending on the size of the bottle. These two alternatives, for example, depend on the size of the bottle.

With respect to the third item, 263e, the present rates are B.P., 15 per cent; m.f.n., 20 per cent; and general, 25 per cent. Therefore it will be seen that the B.P. rate is reduced from 15 per cent to 12½ per cent and the m.f.n. rate from 20 per cent to 12½ per cent and the general rate remains unchanged at 25 per cent.

The Chairman: Shall the amendment carry?

Mr. Benidickson: With respect to the amendment, we in the opposition are in an awkward position. This may involve trade of some substance. We are not opposing the amendment. Everyone in the committee knows that we are perhaps approaching an adjournment of the house. The minister made an announcement today concerning this matter. His announcement has not been available to the public. Will the minister indicate to this committee what representations pro and con have come to his knowledge in connection with these items because obviously the rates are rather radically adjusted. The minister indicated they required some negotiation abroad because of our treaty commitments. To what extent has he heard from citizens of the country interested either in increasing the rates or decreasing them? Will he be frank with the committee at this late stage of the session and indicate, particularly to the opposition, what is the consensus in connection with these matters as it has been presented to him?

Mr. Fleming (Eglinton): Mr. Chairman, I hope I shall always be frank with the committee. I made explicit reference to the matter in the budget speech on June 20, so that there has been opportunity for anyone interested in the item to make representations in the light of the statement I made in the budget speech. But one thing that was not completed at the time of the budget speech was the GATT negotiations. I gave the house a full report at the time on the course of the negotiations, and last Saturday I reported the conclusion of the negotiations and the terms of the agreement reached.

As I mentioned earlier, Mr. Chairman, this all arises out of a decision of the Supreme Court of Canada which involved the classification under a particular item of the Canadian tariff of sodium hypochlorite in solution. The decision of the supreme court turned on the classification. The result of the decision was to upset the departmental rulings of recent years on this commodity. The rates that had been applicable were B.P., 15 per cent and m.f.n., 20 per cent. This change came right in the middle of the hearings of the tariff board on the chemicals reference, and it was represented to us, and convincingly, that unless the protection were restored it would mean closing down a very large Canadian plant; that in the face of competition the Canadian producers would not be able to carry on; that they would simply have to buy their sodium hypochlorite in solution from the United States. This would involve jobs for a good many Canadians. We felt that the present terms of tariff entry of sodium hypochlorite in solution were fair and reasonable; that is to say, 15 per cent B.P. and 20 per cent m.f.n. We thought it was most regrettable also that this change which denied to our Canadian producers the protection under which they had carried on business for years should be suddenly withdrawn while the whole question was before the tariff board. Therefore the action that we proposed was one that would reinstate the tariff protection but not indefinitely; to put a time limit on it, as we have done in this amendment, so that the whole question can be reviewed at a time when we can be reasonably confident that we will have received the report of the tariff board.

We then set to work to negotiate with the countries concerned. Following extensive negotiations carried on at Geneva by Mr. Hector McKinnon, who is leading the Canadian team in the current GATT negotiations there, and who commands so much esteem and respect on the part of hon. members in all parts of the house, we arrived only last Friday at the agreement. I mentioned the wire from Mr. McKinnon announcing the agreement arrived on Friday afternoon. Therefore we moved just as swiftly as it was possible to do. I put the notice of motion on *Votes and Proceedings* that afternoon.

Of course, Mr. Chairman, we have had extensive requests for the reinstatement of the rates. Firms and associations that made representations requesting the former rate be reinstated are quite numerous.

Amendment agreed to.

Schedule as amended agreed to.

Clauses 3 and 4 agreed to.

Title agreed to.

Bill reported.

Mr. Speaker: When shall the said bill be read the third time.

Mr. Benidickson: Next sitting of the house.

INDUSTRIAL DEVELOPMENT BANK ACT

AMENDMENTS RESPECTING CLASSES OF LOANS, INCREASING AUTHORIZED CAPITAL, ETC.

Hon. Donald M. Fleming (Minister of Finance) moved the second reading of Bill No. C-117, to amend the Industrial Development Bank Act.

Mr. G. J. McIlraith (Ottawa West): Mr. Speaker, I have a few very brief remarks to make on this bill. The principle of the bill is to extend the definition of industrial enterprise or, in other words, to extend effectively the authority of the industrial development bank by permitting it to lend to any industry whereas formerly the bank was limited with regard to those classes of industry it could assist. There are other consequential amendments and there is an increase in the amount of money available for lending.

I think all hon. members will agree that it is desirable that the jurisdiction and authority of the bank should be extended. There is no quarrel with that purpose. What concerns me is that the principle involves not merely the extension of the authority of the bank to lend but goes so far as to permit the bank to lend to a business or undertaking of any kind. In other words, there are the widest possible ramifications.

In the final analysis the industrial development bank is using the taxpayers' money to lend to business. The bank has a good record and over the years has done a great deal for the economy of the country. But I for one cannot let second reading pass without expressing my displeasure at the way the principle of extending the activity of the bank is being carried out by the government. For instance, speaking only for myself I cannot accept without a word of protest the principle that the taxpayers' money should be gathered by the taxing authorities and made available through the industrial development bank for lending to any business whatever.

When taxation is bearing so heavily on our people, as it is and of necessity must with our expenditures at such a high level, surely it is not proper that money taken from the taxpayers should be used for lending to any business whatever. It is the principle arising out of the use of that very broad word any that causes me difficulty.

I know it is a bad thing in arguing on a matter of principle to use particular references. It is a poor way to argue but perhaps it does have the merit of bringing attention to the point at issue. Surely our taxpayers are not to be taxed, for instance, for the purpose of making their money available by way of loans for the development of race tracks, however pleasant these places may be to a great many of us. Surely that is not a desirable principle, and yet that is exactly what is being done by this kind of legislation. Surely it is not desirable that the taxpayers' money should be lent to certain limited types of amusement places which do not meet the requirements of most taxpayers in this country. I could go on and drag in other examples that would probably make the legislation look a little ridiculous in this context. However, I will content myself with illustrating the point as I have and expressing my regret that the government saw fit to use this particular method in the desirable extension of authority under the act. Surely the principle could have been carried out in a better way, in a manner that would more accurately express the wishes of the Canadian people, because it seems to me that this way completely ignores the rights of the taxpayers who are providing the funds.

Mr. Walter Pitman (Peterborough): Mr. Speaker, in speaking on second reading of the bill may I say that I think there is one point which has not been brought to the attention of the house even though I am sure all hon. members realize it. The president of the industrial development bank is the same Mr. Coyne who has created quite a furor around the house in the last number of weeks. Mr. Coyne is the president of the bank and evidently the government is very happy with the way that the bank has been operated. Evidently Mr. Coyne's policies have been very highly suspect in other areas but so far as the industrial development bank is concerned everything seems to be going fine.

Quite frankly, before the bill comes to a vote I should like to know just what the relationship has been between the Minister of Finance (Mr. Fleming) and the president of the industrial development bank. We know what the relationship has been between the Minister of Finance and the president of the Bank of Canada, but before a measure like this is passed surely we should know whether the president is in agreement with these particular provisions and whether the board of directors was brought into this whole field. In view of the rather astounding revelations which have taken place with regard to the other position of Mr. Coyne over the last number of months, I really wonder exactly what his position would be as president of this particular institution in which we are making such a very great change.

For example, Mr. Coyne has been called restrictionist. As president of the industrial development bank he has increased the amount of money lent by 26 per cent and the

number of loans by 24 per cent. It is rather interesting to note that the bank lending rate went from 6½ per cent to 7 per cent in September, 1959, and was brought down to 6½ per cent again by September 1960. It would seem that the president of the industrial development bank is following the suggestion of the Minister of Finance about lowering interest rates.

Mr. McIlraith: He is leading.

Mr. Pitman: It appears to me that it is the president of the Bank of Canada who seems to be getting into all the trouble. In the remarks which the minister made to the house he referred to the full support of the government. Evidently the president of the industrial development bank has the full support of the government. The bank has expanded its operations considerably over the past few years. I assume these are the activities of the same Mr. Coyne. The borrowing authority has been extended from three times the aggregate of capital plus reserve funds to five times the aggregate and it would seem that this is the old easy money policy. I should like to know whether Mr. Coyne concurred in this. If he did, certainly here is easy money. Here are the expansionist theories of the Minister of Finance and the government right in the one area where Mr. Coyne reigns supreme. When the minister spoke at the resolution stage he said, as found at page 7312 of *Hansard*:

> —it is the hope of the government that in this way the industrial development bank can also contribute to the retention in Canada of the ownership and control of Canadian businesses.

Mr. Coyne has been wandering right across the country suggesting this and yet the Minister of Finance puts forward the fact that the industrial development bank is going to put Mr. Coyne's views into action by providing opportunities for Canadian businessmen.

Mr. Nesbitt: Those views are not indigenous to Mr. Coyne alone.

Mr. Pitman: I am sorry, I did not hear that.

Mr. Nesbitt: Those views do not entirely belong to Mr. Coyne alone.

Mr. Pitman: These were certainly some of the main points Mr. Coyne was making in his speeches and it was evidently his speeches which were causing a great deal of embarrassment to the government. We can only assume that some of these ideas were the ones which brought about the concern of the men on the treasury benches. I do not like to open the hatch to a debate on Mr. Coyne, especially when we are going to hear a great deal about him tomorrow. Nevertheless, I think there are some interesting aspects to this whole business when we realize that we are going about the process of extending the scope of the industrial development bank. We are in the process of extending the amount of money the bank would have to lend under a president whom we have been told is completely incompetent. I feel this is rather disturbing. Is Mr. Coyne going to remain as president of the industrial development bank? In the annual report, he is listed as president, not because he is president of the Bank of Canada but simply because he is president. I rather suspect he is president of the industrial development bank because he is president of the Bank of Canada.

The office of president of the industrial development bank is not included in the legislation which we are going to be reviewing once again tomorrow. I feel this is a matter of great interest in connection with the bill now before us. We should have a full explanation as to what the position is in regard to Mr. Coyne, not as president of the Bank of Canada but as president of the industrial development bank. It would seem to me that the confidence of the business community is at stake. Certainly, I should like to know whether or not the board of directors and the president of the industrial development bank were made aware of the government's scheme. We are told that Mr. Coyne did not even know what was in the budget until he opened his newspaper the next morning, at which time evidently he was at Stratford.

We have before us a bill to change an enterprise under the jurisdiction of a man who does not even know what is going to happen to that enterprise. Has he been told how the scope of the bank is going to be extended? I think the hon. member for Ottawa West (Mr. McIlraith) had a very good point. I wonder what Mr. Coyne would say? He has been the head of the organization for six and a half years and he must know something about the activities of this bank, where its weaknesses lie, and so on. We understand from the minister that Mr. Coyne knew nothing of what was in the budget. Presumably, he did not know what was going to happen to the industrial development bank either. While we are discussing this bill during the next few minutes I hope we will hear about Mr. Coyne, not so much as president of the Bank of Canada but as president of the industrial development bank.

Mr. H. W. Herridge (Kootenay West): I rise just briefly, Mr. Speaker, to express our support of this measure because, in our opinion, it is an extension of the use of social capital for the development of this country and its

enterprises. I suppose that basically the purpose of the bill is to extend the definition of industrial enterprise to include an industry, trade or business of any kind. I am pleased to see this amendment proposed. Personally, I have had some knowledge, from a local point of view, of the application or administration of the industrial development bank and the purpose it has served, particularly in the forest industry in the area which I have the honour to represent.

For a considerable time, Mr. Speaker, I have considered it was somewhat limited in its scope and opportunities for making loans or various grants to industries or businesses. I have been under the impression that the larger companies, on the whole, have been best able to take advantage of this legislation. I trust that the amendments contained in this bill will mean that the bank will have an opportunity in the future to assist to a greater extent than in the past the medium and small sized businesses in the country.

I am pleased also to note the increase in capital to $50 million, and consequently the increase that can be made in aggregate loans, investments, guarantees and other liabilities. In considering this bill, I am somewhat inclined to be parochial in my approach. I can see great opportunities for the, shall I say, very sound application of the terms of this bill to the district which I have the honour to represent, to a number of industries and businesses that have been denied that opportunity to date. I am thinking particularly of the development of tourist resorts and places that provide recreational facilities, things of that type. When the minister replies, I should like him to give us a little more information in that connection. Will these amendments make it possible to assist that type of industry or business, whatever you like to call it?

In conclusion, let me say that I believe this is a progressive step and we support it.

Mr. Harris Rogers (Red Deer): Mr. Speaker, I should like to say a few words in support of these amendments and the Minister of Finance (Mr. Fleming). I have been interested in this subject for some time. When the minister introduced the resolution last Friday, as recorded at page 7310 of *Hansard*, he gave a full explanation of this measure. I would hope, unlike the hon. member for Ottawa West (Mr. McIlraith), that this bill would not take too long to pass.

The question that arises in my mind is, is this the answer to many of our problems? Will it go far enough? I should like to quote a part of the resolution which introduced this measure:

That it is expedient to introduce a measure to amend the Industrial Development Bank Act to enlarge the classes of loans that may be made under the act so as to include therein all business enterprises without limitation as to the kind of business carried on.

Now, in analysing that part of the resolution, I should think that this would empower the bank to take at least a calculated risk in connection with applications that envisage, for instance, the development of our resources and which would help our unemployment problem. In addition, this measure would aid Canadian control of companies. For instance, I have one company in mind that is very dear to my heart, the Alberta Pulp Mill. This company is composed of 46 sound businessmen who have spent upwards of $200,000 in making surveys on the ground and from the air of certain timber limits. They have made application and will get a licence for 6,000 square miles of a species of white spruce which they tell me will compare with that in any area on the North American continent. At the moment, this company is at the stage where it needs from $150,000 to $200,000 to get a feasibility report. This money is available in the United States but it does mean losing Canadian control. There may be some risk involved, but I think it is a calculated risk.

On the other hand, there have been three feasibility reports made in this area by the same engineers, and they tell me that this particular area is better than either of the others. I hope that these amendments will provide a means for developing our own resources so that Canadians will be employed and Canadian control of the companies will be maintained. I think that this is something that we must foster, for the reason that I think we are lacking in this respect. If we ever want to attract Canadian money into our own resources, I think this is setting a pattern that can be followed.

Mr. W. M. Benidickson (Kenora-Rainy River): Mr. Speaker, last Friday when the resolution was before us the Leader of the Opposition (Mr. Pearson) indicated that we in this party would certainly have no objection to this legislation. Indeed we have advocated this type of thing for some time. In my remarks in connection with the budget I mentioned that, if we had in this country an expansionist government, I was surprised that in the legislative program announced last November there was no reference to expanding in this desirable field.

The hon. member who has just taken his seat, namely the hon. member for Red Deer (Mr. Rogers) asked the question: Will this bill go far enough? That is indeed an interesting question. It relates to the expansionist

idea that this administration may have had at the time they asked us to assemble here last November and the fact that we find nine months later that something as important as this only now comes before us. What has happened in this cabinet which is supposed to be a cabinet that had some vision and some expansionist tendencies as outlined by the Minister of Finance (Mr. Fleming) so recently? Rumours have been going around that they had done some thinking along the lines of expansion beyond what is presented to us in this bill. I refer to a date as far back as February 18, 1961, when the *Financial Post* contained an article under the heading "Ottawa Studies Plan to Lend Risk Capital".

From its Ottawa staff, the *Financial Post* surmised that specific proposals for setting up a new $1 billion national development corporation which could supply risk capital for Canadian ventures were before the cabinet. What has happened to that proposal in an expansionist government referred to by the Minister of Finance just prior to the introduction of his budget? This article went on to say that it was believed that this corporation to be sponsored by the government would be intended to take a far more aggressive role than the industrial development bank, a federal agency established in 1944 to fill what appeared to be a gap in the existing financial machinery of this country, according to official descriptions of its position. Is this not a puny effort if this proposal was considered by an expansionist government in February as suggested by this article?

To indicate that it was not only one of our friends in the press gallery who had heard of this activity, I refer to another. I refer to an article of Mr. Peter Dempson of the Toronto *Telegram* which is not unfriendly to the present administration. His report dated May 25, prior to the budget, states this:

> One of the main provisions in the budget will be the financing of a national development fund, designed to stimulate the economy and create jobs. Reports have suggested the fund may run from $500 million to $1 billion.

We have the result. We have this bill. This advancement in the role of the industrial development bank, is of course, approved on this side. It is in accord with a resolution of this party presented in January at our national rally. It does not go as far as we suggested in our resolution at that time. However, it is significant that the government did not have it in mind when they proposed legislation for this session last November. It is also significant that it appears to be in the Coyne budget presented to the Minister of Finance last February, although some of the items in the Coyne budget are not acceptable to those of us on this side. However, what surprises me is this, and I hope that the minister, when he replies, will give us information on this point. We are increasing—and I say we agree to increase it—the capital of the industrial development bank. But what is the obligation with respect to non-budgetary transactions and net cash requirements of the government for the current fiscal year as a result of this decision? At page 6666 of *Hansard* I note in the budget speech of the minister a reference to his cash requirements. Hon. members will recollect that it was a cash requirement beyond the budgetary items of $1 billion.

Mr. Fleming (Eglinton): Not in addition to the budget.

Mr. Benidickson: A cash requirement including the deficit.

Mr. Fleming (Eglinton): Including the deficit.

Mr. Benidickson: It was a cash requirement including the deficit of $1 billion. There was, of course, this interesting dash. There is just an item of a dash in connection with exchange fund liabilities; no figure is given for that item. But regardless of that, I find nothing here that relates to the supply of capital, either on a budgetary basis or a cash basis, during the fiscal year for the industrial development bank and its proposed expansion which would be in accord with the bill before us.

I ask the minister to tell us something about that matter. Is this going to be printing press money that supplies the capital that will be available under the terms of this statute or in what way is this to be financed through the Bank of Canada? It is known to this house that, at our rally and following the rally in January of this year, this party took the position that the industrial development bank should be separated from the Bank of Canada. I find here that in the bill—and of course, we shall discuss the individual clauses later—there is a continuation of the stipulation that the executive committee of the bank will be those persons who happen to belong to the executive committee of the Bank of Canada. I hope that hon. members of the house will seriously consider whether that is a desirable feature which should continue in the legislation concerning the industrial development bank.

I conclude by saying again that we approve the enlargement of lending opportunities of this bank. I compliment the administration for enlarging the area of entitlement of businesses which may obtain loans from the bank. Last year, and I think the year before, I had on the order paper a

bill to amend the Industrial Development Bank Act for the purpose of enlarging borrowers' entitlement. This measure goes even further than my amendment.

While we approve this bill in principle, I do hope the Minister of Finance will explain to the house how the capital is to be provided; how the loan money is to be provided; whether or not this involves real money provided by the government in addition to the statement on non-budgetary transactions and net cash requirements referred to at page 6666 of *Hansard;* whether this involves printing press money, and so on.

Mr. Fleming (Eglinton): Mr. Speaker—

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, if no one else wishes to take part in the debate there are a few observations I should like to make to support what has been said by my hon. friend from Kenora-Rainy River, particularly with respect to the regional aspect of the activities of the industrial development bank.

I recall very well that when the industrial development bank was first established in 1944 by the Mackenzie King government as part of its program for reconstruction after the war and for maintenance of the full employment which continued after the war until 1957 there was a great deal of criticism from those hon. gentlemen opposite now sitting on the treasury benches but who were on this side of the house at that time. There were a few of them. Their criticism was that this was more or less socialistic; that it was interfering with the legitimate scope of the chartered banks and other lending institutions, and that it should be viewed with a great deal of concern.

Notwithstanding those criticisms the Mackenzie King government went ahead with this legislation. We find, as in so many other things, that after four years of floundering around in uncertainty this government comes along and says these excellent measures that were put into operation by the Liberal government can now be improved and extended. They hope that by doing that they will get for themselves the credit for these measures.

We get this from these great latter day apostles of free enterprise. Perhaps that slogan we got from the Prime Minister (Mr. Diefenbaker) after his return from London on that occasion when he had to have two planes to make sure he got here for the Tory convention—that slogan of free enterprise against socialism—did not apply in this field. I say this because we now find these great apostles of free enterprise, led by that great champion of Bay street, the present Minister of Finance, (Mr. Fleming), asking us to extend the scope of the industrial development bank across the whole spectrum of lending for every conceivable legitimate purpose. I assume certain illegitimate activities would still be viewed with some disfavour in the lending policy of the industrial development bank.

I think it is worth underlining that there is quite a difference between the profession of hon. gentlemen opposite on the hustings in these great windy speeches that are made from time to time and the kind of measures they bring before us in this house.

An hon. Member: We are listening to one now.

Mr. Pickersgill: This measure was designed originally—and I trust it will be used in the future—only to supplement the existing private lending institutions. I do not think, with the bankrupt state of the treasury of this country at the present time, the government would be justified in seeking to supplant private lending institutions.

Mr. Macdonnell: The minister made that all clear the other day.

Mr. Pickersgill: The minister's words are so inconsistent with the conduct of the government that there are very few objective people in this country who pay much attention any more to the minister's words. We are seeking to find out what the line of action of the minister is going to be, not his words.

It seems to me the industrial development bank has filled and will continue to fill a useful purpose in providing lending money in a field that is at the present time not adequately covered by any of the existing private institutions. But I do not think that in a desperate effort to regain the confidence of certain sections of the community, which this government has so obviously lost, it should with this or any other institution indulge in reckless lending of public money for unsound projects. I think that kind of warning needs to be made at a time when we approve in principle what is after all only an extension of a Liberal measure. Mr. Speaker, there are certain other observations I have to make. In order to be consecutive in dealing with them, may I call it six o'clock? I see it is six o'clock.

At six o'clock the house took recess.

AFTER RECESS

The house resumed at 7.30 p.m.

Mr. Pickersgill: Mr. Speaker, when we adjourned for dinner I had just concluded certain general observations of a more or

less historical character about the industrial development bank and had recalled that it was part of a great program for the transformation of our economy from wartime to peacetime under Mr. Mackenzie King, Mr. Ilsley and Mr. C. D. Howe, which worked perhaps better than any similar transformation in any other country of the world, and which laid the foundation for 12 years of full employment in this country and a steadily expanding economy which, unfortunately, has not been continued in the past four years.

I also pointed out that at the time the industrial development bank was established those of the hon. gentlemen opposite who were here at that time had very grave misgivings about it because they regarded it as a rather dangerous experiment of state intervention in the field of lending. It is interesting to note now that they are seeking to expand its powers under the flag of free enterprise.

I did not rise primarily to give this historical review and to put this in its proper perspective so much as to refer to one difficulty inherent in the Canadian economy and in the nature of our country, and to draw attention to the fact that we have constantly to take thought to overcome this difficulty. That difficulty is that there is in our financial and commercial world a constant tendency to centralize, which a wise government presided over by wise ministers and by a wise treasury should always seek to offset. This has had to be done in the fields of taxation through equalization; and in the field of making capital available, it has to be done through a great variety of devices, of which the industrial development bank is one.

If the industrial development bank is to be governed by purely commercial criteria in the allotment of its loans it will in fact be doing little more than duplicating or replacing private lending institutions. If it is to perform a useful function in our society it will have to do more than supply middle term capital which was one of the original purposes. It will have to seek to provide capital in such areas and ways that it will tend to offset to some degree the tendency to financial centralization which is, as I say, a thoroughly natural feature of our economy, but one which, if we are to have a healthy economy with reasonable equality of opportunity and advantage across the country we must constantly seek to offset.

In suggesting that I am not suggesting any argument on behalf of state ownership or anything that may even be vaguely described as socialism. I merely suggest that the principle of equalization, which has been followed by every constructive government from Sir John A. Macdonald down to the present, is one which should constantly and conscientiously be followed.

I know as well as anyone how difficult it is to do this effectively because there is no doubt that, other things being equal, it is much easier to start an effective industry within 40 miles of Montreal or Toronto than within 40 miles of St. John's, Newfoundland, or in the province of Saskatchewan, or some other relatively sparsely settled part of the country where one must overcome the disabilities of transportation, small markets, and so on.

As I say, if the industrial development bank is to be governed by purely commercial criteria, practically all its lending will be done in central Canada and that is certainly not desirable. I suggest it is very important that it should focus its interest primarily on two sectors of the economy. First, it should focus on small businesses which are not operating on a scale where they can go themselves directly into the capital market offering bonds or debentures, or where they have other forms of ready access to private capital. It should concentrate primarily on those businesses which are not large enough to bear the additional expense of floating their own loans, but which are soundly run and which have real opportunities for expansion and which can fill a need sometimes very much more effectively than much larger businesses because there are people involved who are more directly interested in getting results. In other words, properly conceived this can promote real private enterprise as opposed to large scale corporate endeavour in a very effective way. That is one area.

The other area is in respect to regional development. It is even harder to accomplish results in this area. Very often the scale of loans required by businesses in this field is so low that it really would not be worth while for the bank to engage in the activity. I know this from personal experience which I have had with potential borrowers in the province of Newfoundland. Two or three cases have come to my notice over the years I have represented Bonavista-Twillingate. I know that these applications were made to the industrial development bank and the view taken by the bank was that these looked like pretty sound propositions but the amount of the loan was so small and the cost of necessary supervision of the loan so high that it was not worth while to make the loan. Yet at the same time these loans were required for a longer period than that for which the chartered banks normally lend. I do feel that in this field some technique should be worked out which I do not think has been worked out yet. This

need is not being met—though another very important one is by these government guaranteed loans to small businesses that were inaugurated a few months ago—and it will not be met by the industrial development bank under its existing practices. But I would think there might be some possibility of having some co-operative arrangement between the chartered banks and the industrial development bank whereby the chartered banks, which have their branches all over the country could act as agents for the industrial development bank in assessing and supervising some of the smaller loans so that it would not be necessary for the industrial development bank to have a staff of its own for the purpose and all the travelling expenses and other charges of that sort which would increase the overhead and make unsatisfactory top heavy arrangements. If the commercial banker felt that the risk was good enough that his bank was prepared to provide the annual working capital for the business which was required and if he were satisfied that it looked like a business that was good for expansion, the industrial development bank would not just automatically take their word but would at least count on the chartered banks or credit unions in certain cases supervising these loans and in that way cut down the cost of the overhead.

There is one thing that I think anyone who has had any experience in government or with any large scale organization must become impressed with all the time and that is the great necessity of avoiding unnecessary overhead expenditures. There is always a tendency to have too many people producing too many files and checking up too often. I sometimes think that we could reduce taxes and reduce the cost of government a great deal more if we were willing to take a chance a little oftener on some things and had far less of the accounting and checking than we have at the present time on small matters. I know, of course, what a scandal can be made if someone purloins $20 from the treasury, but sometimes you know you really wonder whether you should spend $500 or $1,000 a year on the off-chance that someone will get $20 from the treasury once in a while. A great deal of that sort of thing does go on in government no matter who is in the government.

As I say, if this industrial development bank, extending its scope over a much wider range of business, is going to have a real impact it has to take perhaps a little more risk than it has been taking up to now. The fact is, of course, it has been very well and prudently run by very able people. It is quite evident that the government must have that view because notwithstanding what the government is seeking to do with the president of the industrial development bank at the present time they still want the president of it to go on running the bank. I am not advocating recklessness or imprudence at all; quite the contrary. But I am saying that perhaps a somewhat greater degree of calculated risk will have to be taken if indeed these amendments are to realize that greater degree of expansion which Mr. Coyne was anxious to have when he recommended these changes to the government, which the government has now seen fit to bring before us and ask us to approve.

As I say, the measure of the expansion will be the measure of a reasonable degree of risk taken in this venture. I suggest that where the greatest risks should be taken are in the two areas I have mentioned: first, in the provision of capital for relatively small businesses that have not got the scope, and necessarily have not got it, to raise capital that large businesses do have by floating their own bonds and debentures; second, in seeking to offset this tendency toward commercial and financial centralization which is, as I say, an inevitable aspect of the kind of country we have and which it should always be the duty of every statesmanlike government to seek to offset.

Mr. W. B. Nesbitt (Oxford): Mr. Speaker, I have just a few observations on the bill which relates to a subject that has been of interest to myself and I know to a number of other hon. members of the house. It has been pointed out by the previous speaker and by others that the industrial development bank as it exists at the present time and as it has existed over the years has not been entirely satisfactory. While it may have been in the first place, in later years I do not feel that it has met the needs of the community or of the country and for that reason these very welcome changes to the act have been made.

It has always been my understanding that the original intention of the act was that the industrial development bank should supplement ordinary commercial credit channels. However, certainly in many instances, this has not been the case. I know that many of us around here have heard that it is much easier for companies to get loans from the commercial banks than it ever was to get them from the industrial development bank in the past. I heard one person put it rather picturesquely. He said it was easier to get teeth out of a hen than it was to get a loan from the industrial development bank. That may perhaps be stretching the point a little

but it does reflect the view of the public in general toward this institution.

Other hon. members have pointed out some of the advantages of the changes in the act. I do not wish to take up the time of the house in dwelling on and repeating them. It is very fine and very commendable indeed to have all businesses included. The amendments to the act will be of great assistance. They will provide much greater assistance to small and medium-sized businesses and the like. There is one important point that I do not think has been dealt with. I refer to the fact that under the new terms, as I undersand them, we will be able not only to provide additional financing for the development of our resources but will also help to keep our resources in Canadian hands, which is certainly most important.

There are a great many resources in this country. Our primary industries include mining in all its branches, forest industries and the like. Many of these industries have very good propositions from time to time but many have difficulty in raising capital through the ordinary commercial channels. As all hon. members know, there can be only a limited amount of risk capital available in a country like Canada because of our small population and the limited savings of our people. Countries such as the United States and others in Europe have much larger amounts of money available for risk capital. Many parts of the world, for political reasons and others, are not places in which people wish to invest their money. I think everybody knows this is a self-evident fact, but I think it sometimes does not hurt to repeat it. There are few countries in the world where people from abroad can invest their money with a great degree of safety. Canada is certainly one of those countries, probably the leading one. In many other parts of the world where people used to invest risk capital they are not anxious to do so now. Some governments have recently become pretty nationalistic and are expropriating capital, and the political climate in those countries is not good for such ventures. As a result people from abroad are looking to this country, and have been as we all know, as a place in which to invest risk capital. I should like to cite one example. I will not name the company because that would probably not be fair. In 1958 a company was formed in one of the eastern Canadian provinces and it had very large proven deposits of a highly valuable mineral. It was a little difficult to obtain credit from the normal sources at that time for reasons which hon. members will know, and this particular company applied to the industrial development bank for assistance.

It is my understanding that, to say the least, they were given a very cursory hearing and turned down.

The result was that this particular mining company had to turn to United States and European capital which was obtained very quickly, but the situation now is that ownership and control of this great and very valuable resource is completely in foreign hands. What is more, the terms under which capital was borrowed to develop the mine were such that in the opinion of many the resource was virtually stolen.

It is just this kind of thing that the amendments to the act will now prevent. They will do so in two ways. In one case it may be done by the guaranteeing of the bonds of a company, as is already done by some provincial governments, and if the industrial development bank can guarantee the bonds of a company it may provide sufficient capital to go ahead with the enterprise. In the case of a larger enterprise, as may well happen on many occasions, the fact that the bonds and perhaps other current and long term liabilities of the company are guaranteed will greatly facilitate the sale of common or preferred shares in such a company because once the long or short term liabilities are guaranteed by the industrial development bank the element of risk disappears to a great extent with the result that additional capital is made more easily available.

There is always a limited amount of risk capital available in a country like Canada but there is always additional capital available for less risky projects. If the liabilities of these companies which are attempting to develop our resources should be guaranteed, it would make it much easier for them to obtain additional capital right here in Canada rather than having to go abroad to find capital, thus losing control of the resource as took place in the example to which I referred. As I have already said, I think the amendments to the act are most commendable and will do a great deal to develop our own resources and keep them in the hands of Canadians.

Hon. Paul Martin (Essex East): Mr. Speaker, before the Minister of Finance (Mr. Fleming) makes a speech I wonder whether I could put a question to him which he could answer in the course of his remarks. In view of the character of the bill and the fact that it is of considerable importance and has many clauses, it would seem to me that the proper course in accordance with regular practice would be for the bill to be sent to the banking and commerce committee. In that event I would hope it would be possible for

us to ask the president of the industrial development bank to come before that committee to give his views with regard to the bill and possibly, if the minister would graciously allow, his comments on other matters as well. At any rate, it might be possible for certain members of that committee, who are alert, vigilant and concerned with the public interest, to put questions to him on matters that might have some relationship to the industrial development bank bill.

Hon. Lionel Chevrier (Laurier): Mr. Speaker, I should like also to follow the suggestion of the hon. member for Essex East (Mr. Martin) and put a question to the minister which he can answer when he replies. I take it this is the measure that provides for an increase in the resources of the bank from $160 million to $400 million as announced in the budget. I should like the minister to direct his attention to this question when he replies. What provision, if any, is made in this legislation for depressed areas? In other words, it seemed to us that in increasing the resources of the bank by a substantial amount as is being done in the legislation some consideration should be given to assisting depressed areas.

The minister will remember that at one time he announced a policy having to do with assistance over a period of one year to industries which would locate in depressed areas. I asked the Secretary of State (Mr. Dorion) the other day when he spoke on the budget how many industries had established themselves in these depressed areas and he was unable to give me a reply although he said that the Minister of Finance (Mr. Fleming) had given some indication as to the number of companies that had applied for assistance. I think he did give the number of applicants but I am sure the house would be quite interested in the effect of the policy which the minister announced earlier.

The point in which I am interested now is, what provision is made in this legislation to come to the assistance of depressed areas by means of special depreciation and otherwise? Would the minister also be good enough to tell us the number of industries that did establish themselves in depressed areas by virtue of the earlier announcement made by the Minister of Labour (Mr. Starr) and also concurred in, I believe, by the Minister of Trade and Commerce (Mr. Hees) and the Minister of Finance?

Mr. Deputy Speaker: I must inform the house that if the minister speaks now he will close the debate.

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, I must confess to some surprise at some of the statements that have been made in the course of this debate having regard to the course of the debate at the resolution stage on June 30. I began by being surprised at the views expressed by the hon. member for Ottawa West (Mr. McIlraith). He may not have been aware that the Leader of the Opposition (Mr. Pearson) speaking on the resolution stage of this measure on June 30, said, as found at page 7312 of *Hansard*:

> ...we on this side have been advocating for some time now an expansion of the functions and activities of this very useful piece of machinery...

The hon. member for Ottawa West expressed some concern at the removal of the limitations written into the present act and defining those industries that may qualify for loans from the industrial development bank. He seemed to expect that the bank was now going to lend money to race courses.

The act has hitherto defined in fairly explicit terms those industrial enterprises which qualify for loans under the act. There are four categories of them and in the course of administration those categories have become rather rigidly interpreted. There have been many requests for the removal of those rigidities and a widening of the scope of those industries which qualify for loans from the bank. This is part of the background.

When the government proposes in this measure to remove the existing limitations on the industries which qualify, it is not necessary for the hon. member to assume that the result is going to be the throwing around of public money on things like race courses. There are many enterprises that certainly regard themselves as equally worthy of loans from the industrial development bank as those that have been defined hitherto as qualifying. There have been many of them. For instance, rural telephone companies have not qualified. Then, there are the enterprises that are engaged in the tourist industry. There have been many requests for loans for motels, hotels and tourist establishments, and so one could go on. I mention these examples, Mr. Speaker, to disabuse the minds of hon. members of the idea that the enlargement of the scope of qualifying industrial enterprises under this bill is intended to embrace things that might be regarded by some people as frivolous. This is a serious attempt to make the industrial development bank more serviceable to the Canadian economy.

Now, sir, it should not be thought, either, that the bank in exercising the wide powers conferred upon it under this measure is going to throw to the winds those proper considerations and that discretion which any banker ought to observe. I have been at pains to

stress this fact both in the budget speech and in speaking to the resolution on June 30. The bank must still use a banker's judgment and decide whether or not applicants are really creditworthy. In this regard, let me say that there is here no thought of just casting away the proper restraint.

However, at the same time I must say, hearkening to some of the comments made by the hon. member for Oxford (Mr. Nesbitt) that there has been not a little criticism directed at the operations of the industrial development bank. It is the hope of the government that with the enlargement of the powers under this act, the enlargement of the lending resources of the bank and the enlargement of the definition of industrial enterprises which may qualify for loans under the act, the bank will be in a position, as I have said, to be more serviceable to the Canadian economy.

There is no thought, Mr. Speaker, of having the bank duplicate existing credit facilities. The hon. member for Bonavista-Twillingate (Mr. Pickersgill) evidently was not acquainted with what I endeavoured to say on this matter at the resolution stage on June 30. I was at some pains then to stress the fact that this institution, because it has access to public funds, should not be duplicating the facilities offered by private institutions. I recall to the minds of hon. members the fact that these safeguards are written right into this act itself. This is not something that is left to the good judgment of those who are administering the affairs of the bank. This is a safeguard that is written right into the terms of the act itself and it abides there. It is not changed by this present amending bill. Section 15 of the act reads:

(1) Subject to section 14, where in the opinion of the board

(a) a person is engaged or about to engage in an industrial enterprise in Canada,

(b) credit or other financial resources would not otherwise be available on reasonable terms and conditions,

An applicant who goes to the industrial development bank must establish, and it is proper that he should establish, that credit or other financial resources are not otherwise available to him on reasonable terms and conditions. If he is able to obtain commercial credit from a chartered bank, that is where he should go. If a large industry is able to meet its capital needs in the financial market, it is to the financial market that it should go. This institution is intended, and in its functions and scope is still intended, to fill what is otherwise a gap in the credit institutions of this country. It is not intended to duplicate the functions of the chartered banks in extending commercial credit for short periods. It is not intended to duplicate or provide substitute credit facilities for those larger institutions which are in a position to raise money by bond or debenture issues on the market. This institution is intended principally to provide for those small and medium size institutions, loans in an area and for a term not otherwise available.

[Mr. Fleming (Eglinton).]

The hon. member for Laurier (Mr. Chevrier) asked about the application of the lending provisions of this act in regions where there has been an inadequate development of secondary industry. He has not acquainted himself with what I endeavoured to say on this subject at the resolution stage on June 30. At that time we heard a very effective plea by the hon. member for Inverness-Richmond (Mr. MacLellan) for the exercise of the functions of the bank in relation to assistance for the development of secondary industries in areas like his in Nova Scotia. In commenting on the submission made by the hon. member, I was at pains to stress that this ought to be regarded as one of the functions of the industrial development bank. I alluded to the fact that in the last five years the number of local offices of the industrial development bank has been enlarged from four to thirteen. This enlargement has been carried out with a view to making the services of the bank available in those regions on a much more local basis than had previously been possible.

For my part, I welcome this expansion of the localizing effect of the increase in the number of branches. It will enable those who are giving local administration to the affairs of the bank to be more intelligently acquainted with the needs of the local areas. I entirely endorse the plea made on Friday by the hon. member for Inverness-Richmond, that the functions of this bank should be directed consciously toward assisting in the provision of the needed credit for the development of secondary industry in those areas.

There were several other questions asked about the way in which the increase in capital is to be met. The answer is right in the terms of the bill itself, but the rules of the house preclude me from drawing attention to the specific provisions of the clauses of the bill. However, the answers are there. The purpose of this measure was praised by all sections of the house last Friday. I hope the measure will continue to enjoy the support of hon. members in all parts of the house.

Mr. Martin (Essex East): May I ask the minister if he will be good enough to deal with the question which I asked.

Mr. Fleming (Eglinton): I overlooked the question asked by the hon. member for Essex East, and I will give him the benefit of the doubt and assume for the moment that the

question was seriously asked. It is the hope of the government that following second reading of the bill the house shall resolve itself into committee of the whole and proceed at once with consideration of the bill. It is not a long bill. If we follow the course of the discussion of this bill, including last Friday's debate on the resolution stage, we find it is not a contentious bill. It is a bill that is very clear. Having regard to the fact that its principle and its purpose have been supported by members in all parts of the house I think, on reflection, hon. members will agree it would be needless delay to refer the bill to a standing select committee.

Mr. Martin (Essex East): Does the minister refuse to let the bill go before a committee because that will afford members an opportunity to ask the governor of the Bank of Canada, who is president of the industrial development bank, to give them the benefit of his experience?

Mr. Fleming (Eglinton): The reasons for following the normal course of the house in these matters are clear. I think the house is not likely to be distracted by the unusual course that the hon. member for Essex East temptingly invites the house to take.

Mr. Martin (Essex East): It is the normal course.

Mr. Chevrier: I asked the minister a question to which he failed to reply.

Mr. Fleming (Eglinton): This is not the committee, Mr. Speaker. I answered the question of the hon. member.

Mr. Chevrier: No.

Mr. Fleming (Eglinton): We are dealing here with an amendment to the Industrial Development Bank Act. The hon. member wished to ask some questions about another measure altogether. We must ask that here, and in the committee, we deal with the bill.

Mr. Chevrier: I am sure the minister omitted to reply to one question which I put to him, Mr. Speaker. He dealt with one of the questions I had asked but he did not deal with the other one.

Mr. Fleming (Eglinton): I will deal with questions in committee.

Mr. Deputy Speaker: Order. When the bill is considered in committee the hon. member will have an opportunity to put his questions.

Is it the pleasure of the house to adopt the motion?

Motion agreed to and bill read the second time.

Mr. Fleming (Eglinton) moved that the house go into committee on the bill.

Mr. Deputy Speaker: Is it the pleasure of the house to adopt the motion?

Mr. Pickersgill: On division.

Mr. Deputy Speaker: Carried on division.

Mr. Benidickson: There are unanswered questions. That is why it was agreed to on division.

Motion agreed to on division and the house went into committee thereon, Mr. Flynn in the chair.

On clause 1—*"Industrial enterprise".*

Mr. Chevrier: In his reply to a question which I put to the minister earlier, he said that it ought to be one of the functions of the bank to provide assistance to the development of secondary industry in depressed areas. The question I asked earlier had to do with an announcement made by the Minister of Labour some weeks or months ago having to do with assistance to depressed areas and also the statement made by the Minister of Finance during the budget debate. I wonder whether the minister would answer the question which was this. How many industries have in fact established themselves in depressed areas because of the assistance given by the government to those industries which would receive accelerated depreciation for a year over a period of three years?

Mr. Fleming (Eglinton): The hon. member is asking about something, of course, that lies outside the scope of this bill. He is asking about a measure that was introduced and announced in the budget of December 20, 1960. I have not the precise figures. That measure is not administered by the department of which I have the honour to be minister. It is administered under the Department of Trade and Commerce. In my budget speech I gave some indication of the quickening interest that has been shown in the accelerated depreciation provisions that were there offered. However, that is in the budget speech. I have not specific information about the number of industries that are established.

Mr. Chevrier: The minister is quite right, Mr. Chairman. The question I put to him is outside of the scope of this measure. But on the other hand, since under this measure the minister says it ought to be one of the functions of the bank to come to the assistance and development of secondary industries in depressed areas we are naturally—

Mr. Fleming (Eglinton): I think I said "in areas in which secondary industry had not been developed". I did not use the expression "depressed areas".

Mr. Chevrier: I took it down and I thought the minister had used it. However, it is not of immediate consequence at the moment. The point is that I think the committee would be interested in knowing what has been the benefit of the earlier measure, because it is not inconsistent with what is happening here. It is true that the minister put on record the number of applications that had been received from industry. While I realize that he has not at his finger tips the number of industries that have taken advantage of the measure I wonder whether, during the course of the discussion, the minister could not obtain this information for the committee.

Mr. Fleming (Eglinton): I doubt it, Mr. Chairman. I am sure my colleague the Minister of Trade and Commerce will be glad to supply any information that the hon. member for Laurier or any other hon. member may wish in that regard. However, I have not that information here. It is not in my department. I may say that there will be proper occasion for hon. members to obtain that information.

Mr. McIlraith: I wish to take advantage of this opportunity to deal with something that took place during my absence when the minister was making his concluding remarks on second reading. In the course of which reference was made to what I had said this afternoon. I perhaps should explain to the committee the reason for my absence. Mr. Speaker was presiding over a meeting of the committee dealing with the procedure of the house and I was summoned to attend that meeting. I attended it, as I thought was my duty, but it meant that I was absent while the minister was replying on second reading. In that reply I am told that he made reference to the position I had taken as to the principle of the bill. If I am correctly informed, he stated the position that I was supposed to have taken quite differently from what the facts warrant.

Mr. Fleming (Eglinton): Mr. Chairman, the hon. member has been misinformed.

Mr. McIlraith: I would ask the minister to wait until he hears me out before deciding whether or not I have been misinformed. If the belligerent little minister could observe the rules of the house and have some manners in debate, perhaps we could get on more expeditiously.

Mr. Fleming (Eglinton): Stick to the facts.

Mr. McIlraith: I will stick to the facts and I will debate the point. It is relevant to this clause. I will insist on the right to have the point stated. Although I have not had an opportunity of seeing the minister's remarks in print because it is not possible to do so under the rules of the house, I am told that the minister represented me as having taken a position that was inconsistent with that which was taken by the Leader of the Opposition when he spoke on second reading of this bill. However unpleasant it may be to the minister to hear this, the rest of the committee is entitled to hear it. May I say that the position I took was wholly consistent with that of the Leader of the Opposition. If the minister had done me the honour of paying attention to my remarks when I was making them, he would have known this. I had made it clear that I thought the objective of the bill was wholly desirable but I expressed regret that, in achieving that desirable objective or seeking to bring it about, he had expressed the bill in the language used in it.

I had gone on to point out that the widening of the activities of the industrial development bank took place under this bill in two main ways. One was by increasing the amount of money available for them and the other was in increasing the types of business or enterprise to which they could make loans by redefinition of the term "industrial enterprise" in clause 1 of the bill. I had expressed regret that in that redefinition he had chosen this particular method because, in addition to achieving the wholly desirable objective of making more money available to this bank for the laudable purposes for which it is provided, he had done it by way of making any industry, trade or other business available as potential borrowers.

I had pointed out that this use of the word any had opened up the possibility of using taxpayers' money by way of loan for certain types of business which did not contribute anything substantial to the economy of this country or to the development of the country and which I was sure hon. members on all sides of the house would not wish to see helped with taxpayers' money. That was the point I had made. There is nothing in that point inconsistent with the remarks made by the Leader of the Opposition on second reading. I thought I owed it to the committee to make that perfectly clear.

As I said at the outset of my remarks, I regret that I was not able to be in the house when the minister was making his remarks so that I could have heard them precisely, but with the vicissitudes of the business of the house being conducted as it is and, as perhaps of necessity it must be, during the closing days of this part of the session, I could not help being absent. I hope the apology in that respect is accepted.

Mr. Herridge: Mr. Chairman, I was absent for 40 minutes attending the same committee

as the hon. gentleman who has just resumed his seat. I have just one question to ask the minister. Was this amending bill, and particularly the clause that applies to all businesses without limitation, introduced by the government on the recommendation of the president of the industrial development bank or is it the result of the minister's own observation of circumstances in the country and the application of the industrial development bank?

Mr. Fleming (Eglinton): Mr. Chairman, it is introduced as a result of a government decision but there have been discussions with the authorities of the bank.

Mr. Martin (Essex East): Mr. Chairman, a few moments ago I raised a matter to which the minister did not immediately address himself. He gave the impression that he did not regard the suggestion as a serious one and dismissed it somewhat summarily. I believe it is an important suggestion and I am going to renew it at this time.

First of all I want to say that, as the Leader of the Opposition indicated, the principle of this bill is one which we strongly support, not only because of the improvements that are made in the operations of the industrial development bank but because our own experience has indicated that the bill in its original form served a useful purpose and in the light of existing economic conditions in the country the improvements are calculated to meet the new economic situation that faces us.

There have been many complaints, of course, about the administration of the industrial development bank. It has been charged by would-be borrowers and others that the bank exercised a restrictionist policy and on that account it was not possible for them to get the kind of credit they required to enable them to maintain their industrial enterprises.

It would be interesting, in the light of the kind of experience that the bank will have in the future, for hon. members to know in much greater detail than we have had from the minister what has been the experience of the bank in the past with regard to this matter. There is an office of the industrial development bank in the city of London which I suppose is intended to serve the district from London to Windsor and from London to Hamilton. The minister, in mentioning that there would be four new branches in the bank's operations, did not say what other places—

Mr. Fleming (Eglinton): I did not say there would be four new branches.

Mr. Martin (Essex East): I understood there would be four new branches.

Mr. Fleming (Eglinton): I did not say that.

Mr. Martin (Essex East): Then perhaps the minister would be good enough to tell us what he did say. I certainly understood him to say there would be four new branches and the purpose of the enlargement of the operations of the bank was to meet local conditions in the country more effectively than has hitherto been the case.

Mr. Fleming (Eglinton): I said that in the last five years the number of branches had increased from four to 13.

Mr. Martin (Essex East): I thank the minister. He says now that the number of branches which have been in existence will continue and there will be no addition to their number. I had hoped that in view of the fact that an effort is being made in my own city of Windsor to get new industry, and particularly a whole series of small industries, the importance of that city would be recognized in any new branches that were going to be set up. However the minister indicates that there are not going to be any new branches.

As I say, there have been complaints about the criteria established by the bank in the past in the loans it has made to enterprises covered by this bill. The minister has said that a new spirit is to be engendered in the administration of the industrial development bank; an attempt is going to be made to recognize special conditions and special situations. One would hope that the special situations the hon. gentleman had in mind would be those chronically depressed areas in the country that come within the mischief of the minister's anaemic double depreciation program announced in the baby budget and about which we have heard so little ever since.

Because we want to make sure that the criteria to be established in the future meet the conditions and the objectives laid down by the minister in the statement he made a few moments ago I think we must have more information than is now available to us. It is all very well for a minister of the crown piloting a bill of this sort through the house to speak generously and perhaps even extravagantly of his intentions. It is all very well for the Minister of Finance to say that under this administration an attempt is going to be made to bring the potential power of this measure into areas where such credit has not been available at the hands of the crown. However, one often finds that the declarations made by members of a government before

an act is passed are not in practice fully supported by those who are called upon to administer the act once it is passed. That certainly might well be the case in the future. One way of determining that would be to know in advance what criteria are going to be employed. Is special attention going to be paid to chronically unemployed areas? Is an attempt going to be made to use this measure to provide for an alleviation of unemployment in areas that are depressed? Is this bill really going to meet the very laudable objectives which the minister has postulated? I suggest that one way of getting an answer to this series of questions would be for the minister to agree to send this bill to the banking and commerce committee.

The minister has turned down that request. He made the perfectly obvious remark that the bill would ultimately go to the committee of the whole. Of course every hon. member was aware of that procedure. The question was whether the bill would go to a standing committee of the house, and that is certainly not an unusual request. Bills much less complicated than this which have been introduced by the minister have been sent to the banking and commerce committee. The minister the other day sent to that committee a group of bills having to do with trust companies and the like. We had a very valuable discussion in that committee. That discussion certainly elicited information which had not been forthcoming from the minister in his statements in this house.

I am sure that if we had before that committee on this bill the new directors, particularly the new directors who are now in the government service, as well as the old directors now in the government service, we would have a much more detailed description of their intended functions. We would have a more precise appreciation of the criteria which they would employ than we have obtained from the minister. We would have an opportunity of ascertaining in greater detail and with greater precision why loans in the past, under some of the very same authority now provided in this bill, have not been extended. We would be able particularly to ascertain what are going to be the future intentions of the directors in this regard.

The deputy minister of trade and commerce, or whoever happens to be the deputy minister at the time, is going to be made a director. I think that is a wise suggestion. It would be very useful to have him give us an indication of the plans, in the light of the pronouncement made by the Minister of Trade and Commerce with regard to the increase in Canada's export trade, because many of the industries that can benefit from this kind of legislation will be industries, as I know from my own community, of the smaller type seeking outlets in Canada's external markets.

It would also, of course, be interesting to learn from the president of the bank what his experience has been with regard to the administration of this act and the criteria he, as president of the bank, envisages for the operations in the future. After all, the governor of the Bank of Canada continues to be the president of the industrial development bank. Notwithstanding the vicissitudes which may have crept into the structure of the government of Canada within recent weeks the present governor of the Bank of Canada continues to be the president of the industrial development bank.

We are entitled as members of parliament to have from that individual an accounting of his stewardship and administration as head of this bank as well as an indication of the kind of policy he and his colleagues on the board of directors intend to pursue in furthering the objectives of this bank in respect of which the lending facilities are to be increased from $100 million to $400 million. That represents a very large increase and surely we are entitled to have from those who are going to administer this an indication of how they are going to apply it particularly in the chronically unemployed areas such as those I have mentioned.

It cannot be argued that the minister has satisfied the committee or the house in respect to the kind of question I am asking now. Surely he cannot deny us the opportunity of eliciting further information in this regard. What objection can there be to having this bill sent to the banking and commerce committee in accordance with our traditional practice? I can very well envisage what the minister would say if he were in the opposition and this situation were confronting another administration. I can recall some of the declamations which he has made in the past in respect to matters involving the same kind of principle that now agitates me. How he would have complained about the treatment of parliament by the government if the government of that day had restricted its responses only to those who were actually in the executive arm of government.

The Minister of Finance is a busy man and could not possibly know all that one would expect an administrator of the industrial development bank to know. This measure can be a very important measure for improving our economic conditions, for alleviating unemployment, for setting in motion the productive processes of much new industry in Canada, but the only way that can be done

is by industry learning, through the members of the banking and commerce committee, what the intentions of the administrators are.

It is all very well for the minister to take the position that he has laid down the very broad lines involved in this legislation but it is not the broad lines we want; we want the details which the Minister of Finance has not given. He has spoken in laudatory terms of the general intentions but he has not given us any indication as to the character of industry that will be assisted. He has not told us of the percentage of an applicant's capital set-up which will be required, for instance, to make it possible for that industry to qualify. What are the criteria in that regard? How much equity will an industry be required to have before that industry will be able to qualify for a loan under this act?

In clause 3 of the bill—

Mr. Fleming (Eglinton): We have not reached that yet.

Mr. Martin (Essex East): I know that, but I say that in clause 3 of the bill provision is being made for by-laws of the company, yet the minister has not told us about those. Provision will be made for regulations governing the administration of this act but we have had no indication as to what those regulations will be. These questions are the kind which normally, under our system of government, are answered in an appropriate standing committee of this house.

I ask the Minister of Finance once again to allow this bill to go to the committee where we can obtain the kind of answers which we have not been receiving from the minister in the general statements which he has made. If the minister takes the position that he cannot send this bill to the committee because the present head of the industrial development bank is the governor of the Bank of Canada, I suggest that is not a response to which the approval of this house can be given.

The law of this country is such that the present governor continues to be the president of the industrial development bank, and whatever his opportunity may be for future public service is not the question involved. The question is, what has been his experience? He must have had something to do with the framing of this bill because it is inconceivable that the Minister of Finance should have created a bill increasing the available amount of money for credit purposes from $100 million to $400 million without it having been discussed with the members of the board of directors of the industrial development bank. Undoubtedly the board of directors as presently constituted have discussed this matter, and undoubtedly they have made recommendations to the minister with regard to the increase in the amount of credit to be provided under this amending bill.

That being the case, Mr. Chairman, what possible reason could the minister have for not allowing this bill to go to the standing committee of this house thereby affording to members of that committee the opportunity of finding out from the directors, and particularly from the president who has had such close and intimate association with this bank, the answers to these important questions. There can be no reason but one, and I shall not suggest that reason.

I ask the minister, in the interests of giving to this country the kind of information which we are entitled to have, to recognize what our practice has been, to recognize what he himself has done with regard to many bills of lesser importance than this during the course of the present session when he sent those bills to the standing committee. If that has been done in the past why can it not be done with regard to a measure about which the minister says he has such high hopes, and about which we too have high hopes?

There is to be the kind of administration necessary to make this act as effective as the minister would like it to be, but he will not be administering it; it will be administered while he is preoccupied with all sorts of other questions. That being the case, once again I make an appeal to him to recognize the rights of hon. members to have further information which can only be obtained apparently through one of the standing committees of this house. The minister should not hesitate or at all be concerned about letting the president of the industrial development bank come to the committee at least for the purpose of discussing the amendments proposed to this act. He could put all the reservations he wishes on the scope of questioning, which will be considered by this house. I ask him to distinguish this bill from another bill and to recognize that the governor of the bank can supply hon. members with information which the minister thus far has not given them.

Mr. Fleming (Eglinton): Mr. Chairman, the remarks of the hon. member, as he must well know, are entirely out of order. The house has already decided that this bill should go to the committee of the whole. That is the decision of the house and it is binding. It is not open to the hon. member to raise arguments in the committee that the house should have taken a course different from the one which it took in referring this bill to the committee of the whole. Therefore I submit his remarks are out of order. It is here we

are following the normal course and here that hon. members are to be given such information as the committee may require with reference to the terms of this particular measure.

Some hon. members opposite made statements that might lead one to think that they were the fathers of the ideas in the bill;—

Mr. Martin (Essex East): That is right.

Mr. Fleming (Eglinton): —that there was strong support for the bill on their part. There was even a suggestion that at the national convention of the Liberal party in January, such ideas as have found their way into this bill for enlarging the scope, usefulness and resources of the industrial development bank had been adopted here. If I am to interpret the remarks of the hon. member for Essex East now he is questioning the measure at every turn. He is not prepared—

Mr. Martin (Essex East): There is no questioning of this measure at all.

Mr. Fleming (Eglinton): Then, why does he put up this smokescreen? Let us go ahead with this measure which he seemed to favour at one stage of the day but which seems to have lost his favour now. He said in one breath that hon. members opposite favour the bill.

Mr. Martin (Essex East): We favour the principle of this bill very much.

Mr. Fleming (Eglinton): The hon. member for Bonavista-Twillingate announced on his part that the bill was adopted on division so it is quite clear he was not for the principle of the bill.

Mr. Pickersgill: On a question of privilege, sir, the minister has made a statement which is totally false.

Mr. Fleming (Eglinton): The hon. member said "on division".

Mr. Pickersgill: Your Honour asked whether this bill should be sent to the committee of the whole and I said "on division". I said "on division" precisely because the minister had refused the request of my hon. friend from Essex East that the bill should not be sent immediately to the committee of the whole but should be sent, as it should have been and as it would have been in any other session, to the banking and commerce committee. The only reason it is not being sent, as every member of this committee knows, is that the minister is afraid to have the president of the industrial development bank appear before that standing committee. For the minister to get up and make totally false statements about the attitude taken by other hon. members in this committee does him no particular credit.

[Mr. Fleming (Eglinton).]

Mr. Fleming (Eglinton): Mr. Chairman, it will add nothing to the weight to be attached to the remarks of the hon. gentleman who has just taken his seat for him now to suggest that he was not putting himself on record squarely "on division" a while ago. He was heard on this question.

Mr. Martin (Essex East): He explained why.

Mr. Fleming (Eglinton): All right, then. If the hon. gentleman is in favour of the bill now can we not go on with it without having the hon. member for Essex East seek to divert us from proceeding with a measure which I thought at one stage he was supporting?

Mr. Pickersgill: Mr. Chairman, the hon. gentleman has once more twisted and turned and tried to change the record. No one in this house opposed the second reading of this bill. It passed unanimously and no one said "on division"; but when Your Honour put the subsequent motion that it be sent to the committee of the whole, a motion which is purely procedural and which was the procedure which the government was using to evade responsibility, I said "on division". I said "on division" because we want this bill to go to the banking and commerce committee so that we will be sure it will do what the Liberal party in its rally wanted it to do, namely to be genuinely expansionist, and not reflect the phoney kind of wordy expansion which is the only expansion we have ever got from the Minister of Finance, and that only since June 14.

Mr. Fleming (Eglinton): If the hon. member for Bonavista-Twillingate is questioning the terms of the measure, which are the terms in which parliament is called upon to legislate, we shall have an opportunity later on to put him on record on it.

Mr. Pitman: Mr. Chairman, I shall not let my remarks wander out of order, but I do wish to state my sincere regret that this house has taken this decision; that it is not sending this bill to the banking and commerce committee.

Mr. Martin (Essex East): Will the hon. gentleman permit a question?

Mr. Pitman: Yes.

Mr. Martin (Essex East): I am sure the hon. member recognizes it is the case that there is nothing to prevent the house taking a decision now that this bill be sent to the banking and commerce committee.

Mr. Pitman: I say this. I support the hon. member for Essex East most sincerely in his contention.

The Minister of Finance stood in his place just a few minutes ago and said that he was surprised that we on this side of the house did not know certain things. The hon. member for Ottawa West had to come back into the house and redefine what he had said. The only way that we can get this kind of information is in a committee.

We have had a great deal of criticism. The hon. member for Oxford, the hon. member for Parry Sound-Muskoka and the hon. member for Halton all rose in their places and said that in the past the bank had not been doing the things it should be doing. Therefore, we want the bill, which the Minister of Finance says is going to provide employment, to go before the committee.

There are a number of things which I think the committee of the whole should know. For example, why was it that the bank made a profit of nearly $2 million last year and yet wrote off only $35,000 in bad debts. This is a very small amount in terms of the amount of risk involved. I think that a bank which is being supported by the government of Canada should be willing to take risks. This is what hon. members are saying in the house and yet the minister will not allow us to bring before the committee the president of the industrial development bank who happens also to be the governor of the Bank of Canada. He will not allow us to question this man with some freedom in order to find out what things have been going wrong with the administration of the act in the past so that they can be rectified in the future.

There are a number of things we would like to know. The character of the president of the industrial development bank has been virtually assassinated in this house. Yet, it would appear that his proposals were accepted by this government when it came to revising and amending this act. I think we on this side are justified in asking why the government is going to accept the proposals of the president of the industrial development bank and why, on the other hand, it considers that he was completely incompetent when it came to running the Bank of Canada. I think we should know to what extent there has been rapport among the Minister of Finance this government and the president of the industrial development bank.

Mr. Benidickson: Who appoints the directors?

Mr. Pitman: That is a very good point, Mr. Chairman. Hon. gentlemen opposite have appointed those directors. They will not allow them to be summoned before the committee so that they can be examined.

This house is entitled to information. The House of Commons is not here to be common; it is here to lead common people in the solution of their common problems. This can be done only when members of the House of Commons have information. The only place they can obtain this information is in a committee of this house set up for that purpose.

What the hon. member for Essex East is suggesting is not an irrational delaying tactic. It would take only one or two meetings, perhaps two or three days. It appears that we are going to be here for a few days in July. It would take a very short time to find out exactly what has been going wrong with this legislation, why there has been criticism from all sides of the house. In fact, this is the strange part of it. More criticism has been voiced to the right of Mr. Speaker than has been voiced on this side of the house. At least three members from the other side stood in their places and criticized the bank for what it has not done. I do not think one member of the opposition has done this. Everything that has been said on this side of the house has been of a laudatory nature and we have sought fuller information. We have said that in the past the industrial development bank has performed a great service but that, on the other hand, we felt there should be an opportunity to provide a better service. There have been other suggestions from this side of the house having to do with regional development and the development of depressed areas. This government will not even accept the possibility that perhaps there may be a few people who could give some suggestions with respect to this bill which might well give more employment in depressed areas and which might well help the economies of these regions which today are not enjoying the same degree of prosperity as other parts of Canada.

The government is engaging in a form of closure, although I hate to use that word. It is depriving the members of this house of the knowledge necessary to fully inform them of the affairs of this country.

Mr. Chevrier: Mr. Chairman, I should like to join with the hon. member for Essex East and the hon. member for Peterborough—

Mr. Churchill: One party.

Mr. Chevrier: —in trying to impress upon the minister certain points which I believe have already been brought forcefully to his attention but on which I should like to insist. It strikes me that the Minister of Finance is being highly technical tonight. He has said

to the committee on several occasions that what we are discussing is entirely out of order.

Mr. Fleming (Eglinton): It is.

Mr. Chevrier: I say to him and those who sit behind him that it is not out of order. We are perfectly within our rights in dealing with this matter, having regard to what the minister has already said. The minister said earlier that it ought to be—he did not say it would be—one of the functions of the bank to assist secondary industry particularly in depressed areas in this country.

Mr. Fleming (Eglinton): I did not use the expression "depressed areas" at all.

Mr. Chevrier: That is why I say the minister is being very technical in objecting to what is being put to him from this side of the house. After all, if it is the intention of the government to use the bank as an instrument to come to the assistance of secondary industry, whether it be in depressed areas or elsewhere, then there should be no objection on the part of the minister in submitting this matter to the banking and commerce committee. My experience has been that these matters are referred to that committee from time to time and here is an occasion when there should be no objection whatever on the part of the Minister of Finance.

The present president of the industrial development bank has not resigned from that office. He has not been asked by the Minister of Finance to resign from that position. Therefore there should be no objection to calling him before a committee so that the country will know what the government has in mind with reference to assistance to secondary industry, with reference to what the minister said ought to be one of the functions of the bank, the assistance of depressed areas.

Let me say to the minister and to his colleagues on the other side of the house that it is quite proper at any time in the proceedings for the minister and the government to determine that a matter, notwithstanding that it is in committee of the whole, should be referred to another committee, for instance, the banking and commerce committee, so that the measure can be studied. It seems to us that that would be the only logical step in this instance. It seems to us that that would be a way for the government to show its sincerity because the president of the bank could then be called as a witness and we could examine him on what the bank has in mind with reference to depressed areas. If that is not done, then we will not know what is in the mind of the government. We will not know what is in the mind of the bank with reference to these all important matters, most of which have been referred to in the budget. I ask the minister again to reconsider the situation and to accept the suggestion made by the hon. member for Essex East and submit the bill to the banking and commerce committee.

Mr. Fleming (Eglinton): Mr. Chairman, I ask you to regard the situation in which we find ourselves. It was a decision of the house that this bill be referred to the committee of the whole for consideration and the purpose of such consideration is not to debate another course or to open up the decision that the house has taken but so that the house may in committee of the whole review the clauses of the bill seriatim. What we have listened to has not been a discussion of the bill but an attack on the decision of the house. It does not rest with any of the committees of the house, whether they be select committees or committees of the whole house, to attack a decision of the house itself. We are sitting in committee of the whole on the bill because the house has so decided and I would respectfully submit that this discussion is out of order and we should now be discussing clause 1 of the bill.

Mr. Benidickson: Mr. Chairman—

The Chairman: Is the hon. member speaking to the point of order?

Mr. Benidickson: I did not think there was a point of order. I am speaking generally with respect to clause 1. I wish to indicate in speaking to clause 1—

The Chairman: Order. The minister has raised a point of order and has apparently asked the Chair to make a ruling. If we are through with the discussion which has taken place and the committee is now proceeding to discuss clause 1, the chairman will not have to make any ruling, which might be the best course to follow.

(Translation):

Mr. Caron: Mr. Chairman, on the point of order, it is true that a decision has been taken by the house, but nothing prevents the committee from asking the house to reconsider that decision. The members have merely asked the minister to submit this decision again to the house so as to have this bill referred to the banking and commerce committee. I do not feel the minister is justified in saying that we are out of order when we suggest that the house should have a further opportunity of reviewing this decision, so that it may rule that the matter be referred

to the banking and commerce committee. This is entirely in keeping with standing orders.

(Text):

The Chairman: It seems to me that the committee has been directed by the house to study the bill clause by clause, and that is the only duty of the committee. It could be put to the house, of course, to refer the bill to a special committee instead of to the committee of the whole but the committee of the whole has been directed to proceed with the study of this bill clause by clause. I would not rule that all the remarks that have been made were out of order, but I would say that to discuss only whether we should consider the bill in committee of the whole now would certainly not be relevant.

Mr. Martin (Essex East): Mr. Chairman, I had risen to speak to the point of order and perhaps you will allow me to say something now. The doctrine which the Minister of Finance has laid down is, I think, so unusual—

Mr. Bell (Carleton): Sound.

Mr. Martin (Essex East): —that I am surprised that even he would have put it forward. I cannot lay my hands on the particular reference and I may be wrong but I think that on one occasion the present Secretary of State for External Affairs, who was no mean parliamentarian when in the ranks of the opposition, did this very thing on a bill that came before the house some years ago. I may be wrong in identifying the Secretary of State for External Affairs.

Mr. Green: I think you are.

Mr. Martin (Essex East): The minister says that he thinks I am. I was trying to pay him a left-handed compliment and the compliment still stands. I am glad he is in the house because he will be able to give the Minister of Finance the kind of advice that will perhaps enable the Minister of Finance to secure quicker passage of this measure than would otherwise be the case.

It is true that the house did decide on division that we would go into committee of the whole and discuss this bill, but I would submit that on the first clause it is open to any hon. member at any time to suggest that there are considerations which the house might wish to reconsider and that as a result of those new factors or further elucidations the house might wish to reverse its decision. There is certainly nothing in the rules that prevents the house reversing its decision.

We are not saying that the decision taken by the house on the procedural point is objectionable. All we are saying is this. After further consideration, does the minister not think that for the reasons that have been further given this bill should be sent to the banking and commerce committee? It would certainly be in order for me to propose that we rise and report progress to consider this particular matter and to give the government an opportunity to look into the arguments that have been made in favour of this proposal. That would certainly be perfectly in order. If that is in order, what can be regarded as out of order in the suggestion that is being made on the first clause of the bill that we reconsider the procedural decision and that we send the bill to the banking and commerce committee? I do not know of any rule that precludes this interpretation. I would be very grateful if Your Honour could indicate where in our rules it is suggested that, on the first clause of a bill, it is not open to the house to suggest that we might have a reconsideration of the procedural decision made a few moments ago and that the bill, contrary to that decision and contrary to the earlier intention of the house, be sent to the banking and commerce committee.

I know of no rule which precludes that. I would be grateful if you could indicate such a rule. The Minister of Finance has produced no authority. He has made a blind assertion, as he always does on procedural questions, as though his mere observation had all the quality of an infallible judgment. I say to Your Honour that if he could advance some reasons for the position the Minister of Finance takes, that would be a different matter. I would be very surprised if there is anything in our rules which would render out of order a proposal that has been made that this matter be referred to the banking and commerce committee so that the governor of the Bank of Canada, the president of the industrial development bank, one of those who has assisted in the formulation of this measure, be heard by the banking and commerce committee, thus affording us an opportunity of examination which is not open at the present time.

Mr. Pickersgill: If I may speak to the point of order as well and recall to the mind of the Secretary of State for External Affairs what I have frequently referred to in this house since I came over to this side and he went over to that side of the house, as the well known Howard Green rule, I would say that this rule is that on clause 1 of a bill there was allowed a general consideration of all the circumstances. I do not think a month ever went by in all the years the Secretary of State for External Affairs sat on this side that he did not reiterate what I call the Howard Green rule with varying degrees of eloquence and force. I can remember very

few occasions when he did not succeed in getting his way by sheer weight of words and by his persistent personality.

It seems to me that with the weight of that precedent and with the weight of the author of that precedent here in the committee this evening, the suggestion of the Minister of Finance should not be followed. As the hon. member for Essex East has said, the minister considers himself much more infallible than the Pope and, as a matter of fact, is almost invariably wrong, as Your Honour has found in your own experience because there has been no minister in the history of the Canadian parliament who has been overruled by the Chair so often as the present Minister of Finance on points of order.

Mr. Macdonnell: This is irresponsible.

Mr. Pickersgill: This is a historical fact and it can easily be verified by checking the rulings, but I admit it is slightly irrelevant.

What is relevant is that my hon. friends have been asserting from this side of the house that they cannot give to this measure the kind of detailed and careful examination that it evidently requires unless we can call before a committee those people who have been carrying out these operations which have been so unsatisfactory to certain backbenchers opposite as the hon. member for Peterborough pointed out. In this way, we could find out why these operations have been unsatisfactory to hon. gentlemen opposite. It was not anyone on this side of the house who complained of the abuses in the administration of the industrial development bank. It was the backbenchers over there who were complaining.

The Chairman: Would the hon. member please discuss the point of order?

Mr. Pickersgill: Precisely, sir, the point of order is that it is surely competent to us on this side of the house to suggest that if we are to do our duty as members conscientiously and give to this bill the kind of attention which hon. members opposite seem to think it requires, then we have to have witnesses before us who can speak at first hand, not at second hand as the Minister of Finance does; and not only at second hand but I think it would not be an exaggeration to say with some prejudice in this particular case.

It does seem to me, sir, that to suggest we cannot propose this procedure, and to suggest that in proposing it we are opposing the bill, is seeking to deny a measure of freedom of speech at which I am sure Your Honour would not wish to connive.

Mr. Campbell (Stormont): May I speak to the point of order? If we are going to submit the decisions of the house to review every ten minutes, then we are going to reduce the whole procedure of this house to absurdity and we will not be out of here before Christmas. How often do hon. gentlemen opposite wish to revise the decisions of the house?

The Chairman: The house has adopted the motion of the Minister of Finance that the Speaker leave the chair for the house to resolve itself into committee of the whole on the bill. This is the first point. Going into committee of the whole on the bill means that this committee has the power to consider the bill clause by clause and rule 59 (2) applies which says that speeches in committee of the whole must be strictly relevant to the item or clause under consideration. This is the only mandate of the committee to consider the bill clause by clause.

Of course, the house itself can change the decision which it has made. At the time the motion was put it could have been defeated. There may be other opportunities to submit the idea of the hon. member for Essex East which others have indicated they would like to support. However, this could not be done in the committee of the whole.

There remains only one point which has been raised by the hon. member for Bonavista-Twillingate and that is as to the scope of the discussion on clause 1 of the bill. I know that the practice has grown over the years of allowing a certain degree of latitude in the discussion of clause 1. Of course, this has not changed the rule which calls for strict relevancy. I do not believe any chairman or Speaker has indicated that even this would allow a discussion as wide as the one which takes place on second reading. I am quite sure, in any event, that I am not taking away from any member any essential right in saying that the discussion of the decision which the house has taken on this bill is out of order in committee of the whole. I do not think I am preventing any member from using all his rights at the proper time.

I would hope that the discussion would be confined to the bill. The only thing the committee can do is report the bill or report progress thereon.

Mr. Caron: In order to make the procedure completely in order, I move:

> That the committee rise, report progress and ask the house to refer the bill to the banking and commerce committee for further study.

The Chairman: It seems obvious to me that part of the motion is out of order. I think the hon. member may move that the committee rise and report progress and request leave to sit again at the next sitting of the house, but the reference of the bill

to the banking and commerce committee for further study is something for the house to decide.

Mr. Caron: I think, Mr. Chairman, the committee always has the right to make suggestions to the house. We do not order the house, but we report progress and ask the house to do something. We are not ordering the house but are requesting the house to take this decision. This is a point which has been taken up in the committee and the committee has a right to report exactly what has been done in the committee. I do not believe that it is out of order. I think it is within the standing order of the house.

Mr. Churchill: You are out of order.

Mr. Caron: That is what you say.

Mr. Churchill: Question.

The Chairman: I have indicated a view as to part of the amendment. The hon. member has not convinced me that I was wrong. If nobody objects, I will put the amendment "as is".

Mr. Fleming (Eglinton): The motion is clearly out of order, Mr. Chairman.

Mr. Caron: How is that?

The Chairman: This is my view. Otherwise the hon. member may delete the last part of his motion.

Mr. Caron: I am just asking; I am not ordering.

The Chairman: I am suggesting; I am not ordering either. I am suggesting that the hon. member delete some words contained in his motion so that it will be in order.

Mr. Caron: I think it is within the standing order.

The Chairman: If the hon. member insists on leaving the words in the motion, I shall have to declare his motion out of order.

Mr. Martin (Essex East): Mr. Chairman, I believe that the government should have an opportunity of considering the proposal I made, namely that this bill be referred to the banking and commerce committee—

Some hon. Members: Oh, oh.

Mr. Martin (Essex East): —so that the governor of the Bank of Canada might be heard.

Mr. Fleming (Eglinton): Order.

Mr. Martin (Essex East): For that reason I move:

That the committee rise and report progress.

Mr. Browne (St. John's West): I suggest that the hon. member is out of order as we have just had a similar motion, and it can be moved only once.

Mr. Martin (Essex East): No.

Mr. Chevrier: No. That motion is perfectly in order.

The Chairman: Order. The other motion was ruled out of order because of something else. The motion made by the hon. member for Essex East is not debatable. I will therefore put it to the committee now.

Motion (Mr. Martin, Essex East) negatived: Yeas 21; nays 62.

The Chairman: I declare the motion lost.

Mr. McIlraith: May I draw your attention, Mr. Chairman, to a matter arising out of the vote. I think it is not desirable that the practice of permitting members, after those who voted for a motion have been counted, to come in and join the ones who are voting against it. I merely draw your attention to that practice and express the hope that you will indicate that it is not in order.

The Chairman: I think the rule is clear that when the question has been put no member should enter the chamber or leave his place.

Shall clause 1 carry?

Mr. Benidickson: Mr. Chairman, I regret that I am not allowed to discuss the question of referring this important bill to the banking and commerce committee. However, I wish to say that, as we all know, this bill follows not an announcement of a legislative program as far back as last November, as would be announced in the speech from the throne but it was announced and referred to by the Minister of Finance when he made his late budget speech on June 20. Earlier tonight the hon. member for Bonavista-Twillingate referred to the style of the Minister of Finance of twisting and turning in some of his arguments. Before we proceed too far with respect to some of the clauses of this bill, I wish to give a good illustration of the kind of twisting and turning of which the Minister of Finance is capable. I refer to page 6646 and 6647 of *Hansard* where, in the budget speech of the Minister of Finance, we find in bold letters reference to the industrial development bank. As found at page 6646 of *Hansard* the minister stated as follows:

The scale of the bank's lending to small and medium sized businesses has been expanding rapidly. In its last fiscal year the bank made 740 loans amounting to $38 million, as compared with 221 totalling $17 million five years earlier.

An hon. Member: What is the matter with that?

Mr. Benidickson: What is the matter with that? I say it is twisting and turning. If one looks at the last available report provided to us by the industrial development bank one can see immediately the special pleading, the rather dishonest pleading, that is contained in those words given to us on budget night.

Some hon. Members: Order.

Mr. Fleming (Eglinton): Mr. Chairman, the hon. member has said that dishonest words were used to the house in the budget speech.

Some hon. Members: No.

Mr. Fleming (Eglinton): The hon. member just used those words.

Mr. Pickersgill: Dishonest pleading.

Mr. Fleming (Eglinton): He said dishonest words were used in the budget speech. That is clearly unparliamentary and I ask that the hon. member be required to withdraw that remark.

Mr. Benidickson: If the minister quibbles, Mr. Chairman, I am perfectly prepared to take away the word "dishonest" and I will say "improper pleading". I say that it was twisting and turning, when he referred to the proposed amendments to the Industrial Development Bank Act, to quote figures in the way he quoted them. I will illustrate why I am making this statement. In this special pleading on budget night the minister referred to the loan approvals of the industrial development bank for the year ended 1955, when they amounted to $17 million. But did he tell his colleagues in this house or tell the country that in the following year, namely 1956, the total loan approvals of the industrial development bank amounted to $39 million?

Mr. Habel: He would not say that.

Mr. Benidickson: He did not say that. Of course, he was not responsible for the bank or the directors of the bank in 1956. When the minister is speaking on budget night I think he should give the people of this country the full facts. As I observe the last available report, in no year during the successive four years reported here have there been loan approvals by the industrial development bank to equal those in 1956 which the minister in his statement skipped and overlooked. In the final year of 1960, when we had a considerable increase in gross national product, even if not in real terms, the loan approvals by the industrial development bank were still lower than they were in the last year of the previous administration, namely 1956. I say that was special pleading. I say that his words which I have quoted from *Hansard* as contained in his budget speech were not a proper presentation by any minister of finance when he indicates that he proposes to enlarge the authority of a bank and give some statistical quotations in that important speech to the nation.

In addition to that I wish to refer to the matter of the authority of the government with respect to interest rates charged by this crown corporation. I raised this matter two or three weeks ago. Again I say that the minister was twisting and turning because he interrupted my speech and attempted to take credit for going to the commercial banks of this country and getting a very slight reduction in the prime rate of borrowing within the last few weeks.

I raised the question: why does not the government, which is in control of the industrial development bank and Central Mortgage and Housing Corporation, reduce its interest rates in this field? The minister said, "We recently reduced our rates to borrowers from the industrial development bank". I was lucky enough to have in front of me a record that the last reduction of the interest rate of the industrial development bank in connection with lending to institutions which seek its resources was not recent; it was last September, long before the minister takes credit for going to the commercial banks, saying that he nudged them into a reduction of their rate to borrowers.

Therefore I say that before we get too far in discussion of the clauses of this bill we should ask the minister why he chose 1955 as his yardstick when he said there had been a great advance from $17 million to $38 million in 1960. Why in this much publicized speech did he not refer to the fact that in 1956 the lending by the industrial development bank actually exceeded the last year under his guidance?

The minister nominates the directors and I assume, knowing he is a man of initiative, energy and a fair amount of pugnacity, he has a great deal to do with the progress of this bank. I say it was misleading to this house to use the figures he did use in his budget speech, and I think that is no guide to us when we are asked to expand the lending powers of the bank.

In addition to that, when I spoke on second reading I thought I asked a very important question, which has not yet been referred to. I asked: where are the funds going to come from which are to enlarge the capital of this bank, not only the capital stock of the bank but the scale under which the

bank will operate? I think that was a pertinent question. I asked: is this going to come out of the printing presses of this nation or is it going to come out of a responsible monetary policy of the government? That was a pertinent question and it has not yet been referred to by the Minister of Finance.

Mr. Fleming (Eglinton): Mr. Chairman, it was referred to. It was precisely that question I had in mind when I said the answer was in the bill. If the hon. member will take the trouble to read the bill he will find his answer there.

Mr. Benidickson: Oh, I have read the bill.

Mr. Fleming (Eglinton): But the hon. member chose to ask the question without bothering to find the answer in the bill. It was his question I had in mind—

Mr. Benidickson: I have read clauses 6 and 7.

Mr. Fleming (Eglinton): —when I said the rules of the house preclude me from referring to the clauses of the bill.

Mr. Chairman, the hon. member has worked himself up into quite a lather tonight with the statistics which I gave in the budget speech. He must have in his hand the annual report of the Bank of Canada and I think he has been engaging in a little twisting and turning here.

The hon. member read only part of my statement from the budget speech. Even when he got around to referring to it, he read only part of the sentence. In that sentence I not only dealt with the amounts but I dealt with the number of loans, and he chose just conveniently to drop from the reading of the sentence what I said about the number of loans. This is the sentence from my budget speech, appearing in the first column on page 6647 of *Hansard* for June 20:

> In its last fiscal year the bank made 740 loans amounting to $38 million, as compared with 221 totalling $17 million five years earlier.

That is the complete sentence. The hon. member did not choose to make any comparison in the number of loans. Had he chosen to be fair with the committee he would have, I think, gone on to say that the number of loans in the year he has chosen to talk about, 1956, was only 349. That was the increase from 1955 to 1956, from a total of 221 to 349. I was drawing attention to the fact that the number in the last fiscal year ended September 30, 1960, was 740, so there has been a steady increase.

When the hon. member picks out the year 1956 he is not picking out a typical year or a year that illustrates the upward trend over the years. He picked a year which was a flash in the pan, because in that particular year there were abnormal loans made to commercial air services. They amounted in that year, 1956, to $11,406,000. That was the reason why in that particular year, with abnormally large loans to commercial air services, there was a swollen result. What happened the next year? Loans made to commercial air services dropped back to $3,742,000. In 1958 the amount was $158,000.

The year the hon. member put forward was not a typical year at all. I was giving information to indicate the growth in the operations of the bank for the information of the house.

Clause agreed to.

Clause 2 agreed to.

On clause 3—*Directors' fees.*

Mr. Benidickson: Clause 3 has reference to directors' fees. We realize that the personnel of the board will be enlarged; we also see it is possible, under the by-laws of the bank, to set the aggregate amount of the fees paid to directors. I think when this statute is up for review the minister should indicate what these by-laws are at present.

Mr. Fleming (Eglinton): I beg your pardon?

Mr. Benidickson: What are the by-laws at present? I do not want details as to individual directors or anything of that kind, but what are the by-laws under which directors formerly, in the aggregate, could have received $10,000?

Mr. Fleming (Eglinton): The by-laws set the fee of a director at $100 for attending a directors' meeting, and they set the fee at $50 for attending a meeting of the executive committee. Of course those directors who are officials of either the Bank of Canada or the government do not qualify for those fees.

Mr. Pickersgill: I should like to ask one question on this clause relating to directors' fees. Are these directors' fees to be entirely under the control of the bank or is the government going to have anything to say about them?

Mr. Fleming (Eglinton): Mr. Chairman, section 11, subsection (2) of the act provides that no by-law is effective until approved by the governor in council, and upon becoming effective it shall be published in the *Canada Gazette.*

Mr. Pickersgill: In other words it is the governor in council which decides in the final analysis what these fees are going to be, even though, as I understand it, they are not paid out of the treasury but out of the profits of the bank?

Mr. Fleming (Eglinton): The board of directors of the bank passes the by-laws which provide the fees payable to the directors, but the section which I have read provides that no by-law is effective until approved by the governor in council.

Mr. Pickersgill: I am asking the minister if the directors fees are to be paid out of the funds of the bank or out of the treasury of Canada.

Mr. Fleming (Eglinton): They are to be paid out of the funds of the industrial development bank.

Mr. Pickersgill: Why does the government feel it is necessary for the governor in council to determine what these fees shall be beyond the figure of $20,000? Perhaps I have not made my question very clear. The minister is asking parliament to say that the fees paid to directors shall not exceed $20,000 in any fiscal year. That is a reasonable provision for parliament to make. Surely if the government is going to appoint the kind of individuals as directors of this bank, within the scope of a $20,000 fee, those individuals ought to be able to make decisions instead of requiring the time of the cabinet to decide precisely what these things should be. I wonder why the minister feels it is necessary to have this kind of provision.

Mr. Fleming (Eglinton): Mr. Chairman, section 11, subsection (2) was passed by this parliament at the session of 1944-45. It is part of that act which won such plaudits from the hon. member in his speech earlier in the day. This government has great respect for parliament and does not propose to take away from parliament or ask parliament to reduce any of its authority. It has commended itself to the wisdom of parliament from the enactment of this measure 17 years ago that the by-laws passed by the board require the approval of the governor in council, and the present government is not asking for any change in that provision.

Mr. Pickersgill: Mr. Chairman, I must say that I am singularly unimpressed with that argument because the effect of it is that the bill Mr. Ilsley recommended to this parliament in 1940 was so perfect that it should not be amended at all.

There is no doubt that when this institution was set up for the first time as a new institution, as a bold experiment which hon. gentlemen opposite regarded at that time as bordering upon socialism, and which they now praise so highly and wish to extend, the governor in council quite rightly felt that parliament ought to keep an eye on how it got started, and so on. As the minister has just said, it has been going for 17 years. During those 17 years the number of details which the governor in council must consider have increased vastly. No one knows that better than I do, because I was secretary to the cabinet at one time, and I know that it is a great mistake to have unimportant details occupying the time of ministers. When things become detailed and established it is far better to put the responsibility on someone and deal with that individual if he does not discharge that responsibility properly. It seems to me that to have by-laws of this nature dealing with the sum of $20,000 distributed over a number of directors who are going to be lending $400 million, shows a singular lack of perspective in light of the problems which the cabinet today has to face. I suggest to the minister that there is no earthly reason why details of this sort should occupy the time of anyone except the directors, if competent directors are to be appointed. If competent directors are not going to be appointed then they certainly should not be entrusted with the lending of $400 million.

Mr. Fleming (Eglinton): The government is quite satisfied with provisions of section 11, subsection (2) and is not asking parliament to amend it in the manner indicated by the hon. member for the purpose of removing the requirement that the cabinet shall approve by-laws passed by the board of directors of the bank.

Mr. Chevrier: Mr. Chairman, may I inquire of the minister how the directors fees are ascertained at the moment?

Mr. Fleming (Eglinton): Mr. Speaker, I just gave that information to the hon. member for Kenora-Rainy River within the last two or three minutes.

Mr. Chevrier: Did you give the amount of the fees?

Mr. Fleming (Eglinton): Yes.

Mr. Chevrier: I beg your pardon.

Mr. Benidickson: Mr. Chairman, the purpose of clause 3 is to add a mandatory director, the deputy minister of trade and commerce. It should also be noted that the deputy minister of finance is also, and has been, what I refer to as a mandatory director of the industrial development bank. Would the minister indicate to the committee his views as to responsibilities of these deputy ministers appointed under this clause regarding the reporting to ministers of the crown with respect to the meetings of the directors of a crown company of this nature?

Mr. Fleming (Eglinton): Mr. Chairman, in adopting clause 2 of the bill the committee is approving the proposal that there be additions to the executive committee. Clause 3 deals with the payment of fees for attendance at meetings of the board by persons other than those who are officials of the bank or of the government. The deputy ministers, and there are now to be two on the board, will sit with the governor and deputy governor of the bank and two directors from outside both the bank and government services, who will be drawn from business. This enlarged executive committee then will, in the opinion of the government, be a much more effective committee for the transaction of the business of the bank than has been the committee of four hitherto. It is expected that the committee will become much more active than it has been, holding more meetings, and that is part of the reason for the increase in the maximum provided in clause 3.

Mr. Benidickson: The Minister of Trade and Commerce is not with us tonight. However his deputy is to be added to the board and we cannot ask that minister what he expects in the way of responsibility on the part of his deputy relating to reports on meetings of the industrial development bank. However, what does the Minister of Finance expect from his deputy in a routine way in relation to the matter of reporting on decisions made by the board of directors?

Mr. Fleming (Eglinton): Well, the deputy minister is expected to act responsibly in relation to this particular, as in relation to his other duties whether it is a matter of ordinary routine business coming before the executive committee of the industrial development bank or whether it is special business coming before that executive committee.

Mr. Benidickson: Does the deputy minister of finance, who has been for a long time what I refer to as a mandatory director of the industrial development bank, report to the Minister of Finance in a routine way by perhaps sending him copies of the minutes of the directors' meetings as they take place?

Mr. Fleming (Eglinton): No, Mr. Chairman, it is not the practice of either this bank or the Bank of Canada to send out copies of these minutes.

The Chairman: Shall clause 3 carry?

(Translation):

Mr. Habel: I notice, Mr. Chairman, that this government, which was elected because it promised to cut expenses, now ask us to increase the aggregate amount of the fees paid to the directors of the industrial development bank from $10,000 to $20,000. That proves how inconsistent this government is.

Mr. Fleming (Eglinton): Mr. Chairman, there will be more members in that committee. Moreover, the committee intends to meet much more frequently.

Mr. Boulanger: I hope that when the question of fees for the members of parliament are discussed, the minister will be as generous.

(Text):

The Chairman: Shall clause 3 carry?

Clause agreed to.

On clause 4—*Executive committee of the board.*

Mr. Caron: I should like to ask the minister why the words "the person for the time being holding the office of deputy minister of trade and commerce" appear in the clause? Why do they not simply say "the person holding the office of deputy minister of trade and commerce"?

Mr. Benidickson: Another head to fall.

Mr. Fleming (Eglinton): Because the draftsman of the legislation considered it proper to make reference to the deputy minister to make clear it is not the man who happens to be deputy minister at the time the legislation is passed but the man who from time to time or at any particular time holds the office of deputy minister; in other words, it is an appointment ex officio.

Mr. Caron: If they wanted that why did they not say "from time to time may be deputy minister of trade and commerce" instead of "for the time being"? It seems to me that since it is expressed in that way it might be possible to simply put him out if they are not satisfied with his decisions and put somebody else in.

Mr. Fleming (Eglinton): It is perfectly obvious that what the draftsman, an experienced and competent man, had in mind is that ex officio the deputy minister becomes a member of the executive committee of the industrial development bank and when he ceases to be deputy minister he thereupon *ipso facto* ceases to be a member of the executive committee of the industrial development bank.

Mr. Caron: Would it not be easier, then, to say "ex officio" instead of "for the time being"? I am not a lawyer. It may be that lawyers find ways to put certain things. It may not be difficult for them but it may be difficult for others to understand what is meant. They are used to going to court to

fight over things and they want loopholes somewhere. If the draftsman meant "ex officio" he should have put in "ex officio" or "from time to time" instead of "for the time being".

Mr. Fleming (Eglinton): This is the usual expression in such cases, Mr. Chairman.

Mr. Benidickson: Clause 4 is very important, in that most of us realize that the final decisions in this enlarged financial institution will be made not by the directors who may provide a little window dressing. They might meet no more than six or seven times a year, if that often. The final decisions will perhaps be under the jurisdiction of the executive committee.

As I indicated when I spoke on second reading, this party would like to see a separation of the industrial development bank from the Bank of Canada. That is not provided in this bill. But bearing that in mind, I should like to know just how close is the link between the executive committee of the industrial development bank and the Bank of Canada? I take it that the directors of the Bank of Canada who comprise the executive committee of the bank do not necessarily have to be permanent employees of the Bank of Canada. But unless one is a member of the executive committee of the Bank of Canada I take it that one is not eligible to be on the executive committee of the industrial development bank.

Will the minister explain to us his policy with respect to appointments of the directors of the Bank of Canada and the opportunity for directors whose names will appear on the report of the industrial development bank in some substantial number ever to have any place on the executive committee of the industrial development bank?

Mr. Fleming (Eglinton): Mr. Chairman, the hon. member can familiarize himself with the provisions of the statute. He knows, I am sure, from having read the Bank of Canada Act, that the executive committee of the Bank of Canada consists of the governor, the deputy governor, the deputy minister of finance and one member of the board selected by the board. The executive committee of the industrial development bank hitherto has been the same as the executive committee of the Bank of Canada. We are proposing now to enlarge it by the addition of two members, one being the deputy minister of trade and commerce, the other being an additional member from the board of the Bank of Canada. It will now become an executive committee of six.

[Mr. Caron.]

Mr. Benidickson: Since the resignation of Mr. Bryden, who is a member of the executive committee of the Bank of Canada in his place who is not a permanent official?

Mr. Fleming (Eglinton): Mr. Bruce Hill, M.C.

Clause agreed to.

Clause 5 agreed to.

On clause 6—*Capitalization.*

Mr. Martin (Essex East): Mr. Chairman, subclause 2 of this clause provides that the Bank of Canada shall subscribe a certain amount of money. I should like to ascertain from the minister whether this clause and other clauses of the bill were discussed by him with the governor of the Bank of Canada.

Mr. Fleming (Eglinton): I did not discuss clauses specifically with the governor of the Bank of Canada. The governor of the Bank of Canada was consulted with regard to the proposals in general and approved certain of them. Obviously, Mr. Chairman, I cannot disclose what particular views the governor expressed because they are given in confidence; but the proposals in general were discussed with the governor. He was consulted about them.

Mr. Martin (Essex East): The minister says that these proposals in a general way were discussed with the governor of the Bank of Canada. The minister, however, did not answer my question. My question was whether the minister himself discussed these proposals in a general way with the governor of the Bank of Canada? When the minister is replying perhaps he would give an indication to the committee about what time of the year this discussion took place with the governor of the Bank of Canada. Did it take place directly? If it did not take place directly, what time did it take place vicariously?

Mr. Fleming (Eglinton): Mr. Chairman, the particular meeting to which I refer and at which the governor and I were both present took place I would judge about six weeks ago, or around that time. I can look up the date precisely. It is a matter of record. It was a meeting attended by a number of persons. Apart from that, I did not have occasion to discuss this measure personally with the governor but there was consultation with the governor through the usual channels.

Mr. Martin (Essex East): Will the minister say whether these discussions took place between May 16 and May 30, or was it before May 16?

Mr. Fleming (Eglinton): Oh, yes, Mr. Chairman, before that. But if the hon. member is

very anxious to know the date of this I think I can ascertain it. I do not like to see him suffer from frustrated curiosity, Mr. Chairman.

Mr. Martin (Essex East): I thank the minister for his great concern about my interests. I should like to have the date because I think it might have a very important bearing on matters that engage the attention of this house. Could the minister say that this bill was inspired as a result of a document submitted by the governor of the Bank of Canada about the middle of February, a document which has—

Mr. Fleming (Eglinton): No.

Mr. Martin (Essex East): May I identify the document? The minister is so eager to reply. I have not even identified the document. I said a document that was sent to him some time about the middle of February and a document which was made available for public scrutiny by the governor of the Bank of Canada a few days ago. In that document of the governor of the Bank of Canada I am sure that the minister found confirmation, if not inspiration, for the bill that is before us, and since the minister has great confidence in the governor because the governor as president of the industrial development bank continues to be a member of the board of directors, I would have thought that the minister at least owes to the governor of the Bank of Canada the attributing to him of those suggestions which find their incorporation in this measure. I think a tribute from the Minister of Finance to the governor of the Bank of Canada along this line would reveal the generous quality of the minister's mind and heart, and this is an opportunity for him to rise above controversy and pay credit where credit is due.

Mr. Fleming (Eglinton): Mr. Chairman, nothing ever gives the Minister of Finance greater pleasure than to pay credit where credit is due. I think we have just witnessed an amazing demonstration of modesty on the part of the hon. member for Essex East. I suggest, Mr. Chairman, that you do not lay too much store by this sudden outburst of modesty on the part of the hon. member for Essex East because I am quite sure that in a less offhand moment he will be back, probably before this bill has run its course, claiming that he himself is the source, author and inspiration for the ideas in the bill.

Mr. Martin (Essex East): The minister has a vision into the future that I recognize sometimes serves him well and it may be that there is some modicum of truth in what he is saying but I am certainly not going to be the one who is going to attest to that. I simply want to say that the minister presents a bill under which the governor of the Bank of Canada, still the governor of the Bank of Canada under the law of this country, is to serve as president of the industrial development bank, a function which he now exercises, and I am inviting the minister to say whether or not at this particular juncture he does not feel it desirable, in the light of this document of the middle of February, to acknowledge the proper paternity of this bill.

After all, this is a measure of the greatest importance. It is a measure which, as the minister said some time ago during the course of our discussion tonight, offers potential assistance to industrial enterprises in this country. We are entitled to know, if we cannot obtain it through interrogations in a standing committee of the house, whether or not only in general discussions but in other discussions there has been the closest collaboration between the Minister of Finance and the governor of the bank in this matter. If there was not, it would be amazing to find the Minister of Finance piloting a bill tonight authorizing that the present governor of the Bank of Canada shall continue as president of the industrial development bank. If there was not that close collaboration and if the minister did not have confidence in the governor of the Bank of Canada, he would owe this house the duty of explaining why he continues to have the governor of the Bank of Canada remain as president of the industrial development bank.

The minister can only take the position that he has confidence in the governor of the bank. If he has no confidence, then he has no right to ask this house to continue as president of the industrial development bank the governor of the Bank of Canada. We conclude, therefore, that because the minister continues the governor in that capacity he has confidence in the governor and has confidence in the recommendations that the governor has made with respect to this particular bill. If this is not the situation, now is the time for the minister to tell us. He can sit there looking at me with that benevolent smile that sometimes covers his countenance, but this is legislation of the greatest importance and he owes it to the Canadian people to say whether my statement of the facts is correct.

I assume that the minister has confidence in the governor of the Bank of Canada; otherwise he would not continue him as president of the industrial development bank. I assume, moreover, that the minister has consulted the governor not only in a general way but on the essential details of this bill in connection

with which the governor is to continue as the presiding officer of the board of directors. Let the minister deny now that he has no confidence in the governor of the Bank of Canada. If the minister stays in his seat and makes no reply, as he may well do and as he has done on other occasions, then we will conclude that the minister has no confidence in the governor. If that conclusion is drawn, then the minister will stand indicted for bringing forward a bill under which the president of the bank continues in that capacity.

The minister cannot have it both ways. He is caught in a dilemma tonight. He is caught in a dilemma and his ministerial colleagues are caught in that dilemma with him. They have been criticizing the governor of the Bank of Canada and are about to take steps to strip him of his office. Yet they come to this house tonight asking us to pass this bill and included in the provisions of the bill is a recommendation that there be a board of directors and that on that board of directors is to be found as the continuing president of the industrial development bank the present governor of the Bank of Canada. The minister cannot laugh that off. I am sure that the minister forgot—

The Chairman: Order. May I remind the hon. member that clause 6 deals only with the capitalization of the industrial development bank.

Mr. Martin (Essex East): With great respect, Mr. Chairman, I say to you that this clause is a clause in which the Bank of Canada is called upon to subscribe a very considerable amount of money. That can only have been done with the authorization of the governor of the bank. We have now elicited from the Minister of Finance that there has been general consultation. The point that I am making now, having extracted that reply from the Minister of Finance, is whether or not he has confidence in the present governor for the purpose of this act. If he does not have that confidence, then I say that the minister has no right to ask the house to pass a bill providing for the inclusion of the governor of the Bank of Canada as president of the industrial development bank. I submit that is very relevant to this particular clause and the minister should not be allowed to refuse to reply under the guise that what I have said is not relevant or not in order.

Mr. Fleming (Eglinton): Mr. Chairman, I am sure there are many times when all of us think that the hon. member for Essex East really missed his calling. No circus performer could have outdone him in this latest exhibition. He asks me to say whether this flight of his imagination represents a statement of fact. I say it is not a statement of fact. It is just about as foreign to fact as any of the statements that the hon. member makes from time to time.

Mr. Martin (Essex East): What is not a statement of fact?

Mr. Fleming (Eglinton): Everything you said. There is nothing in the bill that says that the governor of the Bank of Canada is to continue as president of the industrial development bank. The hon. member would have those who read the record or have the fortune or misfortune to listen to his speech believe that this bill contains such a provision. It does not, and when the parliament of Canada sees fit to act on another measure and the term of office of the governor of the Bank of Canada comes to a close his term of office as president of the industrial development bank will *ipso facto* at the same time come to an end. He holds the office of president of the industrial development bank simply ex officio as governor of the Bank of Canada. That is very, very plain and I am sure the hon. member well knows that simple fact.

The hon. gentleman talks about consultations. I said that I sat in on one meeting at which the governor of the bank was present when the general proposals of this measure were discussed. I do not recall the exact date but it was probably about a couple of months ago, in that range. I did not have any further discussions with the governor about it. As for his memorandum of last February, which he improperly made public recently, I say that while he made a reference to the functions of the industrial development bank, this present measure does not correspond precisely with the proposals that the governor put forward in that memorandum. What is more, he was not the only person who was putting forward suggestions for the revision of the basic terms of the Industrial Development Bank Act to make that bank more effective in serving the needs of the Canadian economy. There were many people putting forward such suggestions, including many people in the government and members in this house supporting the government. The hon. member for Essex East does not need to arrogate to himself the inspiration for suggesting that the industrial development bank might be improved, nor need he ride on the coat tails of the governor of the Bank of Canada.

Mr. Martin (Essex East): We have had an amazing statement from the Minister of Finance. The minister is apparently piloting legislation, the terms of which he has not

read or of which he has not a full appreciation. He speaks of coming events. The Minister of Finance has no authority, even though he may be a member of a government with a large majority in this house, to envision what course this parliament will take with regard to other measures or a particular measure that may be coming before it tomorrow. The fact is that we must presume that everyone in this house will give careful, conscientious and responsible consideration to any bill that will be presented by the minister tomorrow.

Mr. Fleming (Eglinton): Why don't you give this bill such consideration?

Mr. Martin (Essex East): The minister has no right to arrogate to himself a knowledge of what will happen. The fact is that at the present time, under the law passed by this parliament, the governor of the Bank of Canada is still the governor of the Bank of Canada. No words of the Minister of Finance by way of prophecy, by way of expression of his venom and hatred and his hostility, can change the law of the country.

Mr. Fleming (Eglinton): Mr. Chairman, it is quite unparliamentary for an hon. member, as the hon. member must know, to impute hatred to any member of this house. I make it quite clear that there is no hatred toward anybody in my soul.

Mr. Martin (Essex East): I will withdraw. If that offends the minister, I will say he has not in his soul the qualities that constitute hatred. I will say this: The Minister of Finance, by his manner in approaching this problem tonight and on other occasions, has revealed a hostility toward the governor of the Bank of Canada that is not warranted by the declared facts given to this house over the course of the last few days.

Mr. Fleming (Eglinton): That is a false accusation.

Mr. Churchill: Are you going to make the same speech tomorrow?

Mr. Martin (Essex East): My hon. friend says something about the same speech tomorrow. The Minister of Veterans Affairs is a member of a government which, I know, does not like anyone in the opposition to stand up for the rights of individuals in this free country.

The Chairman: Order; may I suggest to the hon. member that this discussion is entirely irrelevant. I submit that we will not be able to avoid anticipating another debate if we continue in this vein. I would say there is nothing in this bill that concerns the governor of the Bank of Canada because those provisions of the Industrial Development Bank Act which concern the governor of the Bank of Canada are not being amended by this bill. I suggest to the committee generally, therefore, that we might make more progress if we discussed the bill which is properly before the committee.

Mr. Martin (Essex East): I accept your suggestion and I was provoked into this extraneous argument only by the irrelevancy of the Minister of Finance.

The argument I was making a few moments ago before we had this irrelevant intervention, was that the minister owes it to the committee to say if he has confidence in the governor of the bank. Otherwise, he could not have brought before us this bill tonight. I would remind the committee of the provisions of clause 3 of this bill.

Mr. Bell (Carleton): We are dealing with clause 6.

Mr. Martin (Essex East): I am now dealing with the question relating to the point of order and also to the argument that I made with regard to clause 6. Clause 3 provides:

> The directors, other than the governor and deputy governor of the Bank of Canada, the deputy minister of finance and the deputy minister of trade and commerce, are entitled to receive for attendance at meetings of the board and meetings of the executive committee such fees as may be fixed by the by-laws of the bank, but the aggregate amount of the fees paid to all directors exclusive of expenses shall not exceed twenty thousand dollars in any fiscal year.

In the clause we are now discussing, clause 6, provision is made that the Bank of Canada shall subscribe for the said 500,000 shares at par and shall pay the amount of such subscription at such times and in such amounts as the board may determine. The present governor of the bank is a member of that board. The present governor of the bank is covered by the provisions of clause 3 which I have already recited. The minister owes it to the committee to say whether or not he has confidence in this governor or he has no right to bring forward this bill which provides for the inclusion of the present governor. The minister cannot for one moment argue that he has the right to anticipate events which may or may not take place. The minister must assume that the law of the land shall be respected and the law of the land makes provision for the governor of the Bank of Canada as president of the industrial development bank.

A few moments ago the minister made the argument that I was engaged in an argument of fiction. I say to him that there is no fiction in clause 3. There is no fiction in clause 6. The provisions therein contained deal with the Bank of Canada and with the governor of the bank. The minister must tell the committee now whether or not he has sufficient

confidence in the present governor to warrant that gentleman retaining the trust of this parliament under the provisions of this bill. This is as clear a situation as could possibly be revealed and the minister must tell the committee now whether or not he has that confidence. If he has no confidence in the governor, then he should say so. In that event, he should repeal clause 3 of the bill; that is the situation.

The Chairman: Order; the hon. member indicated that he was accepting the ruling of the Chair, but afterwards discussed its validity. I must, therefore, point out to him that in my view clause 3 does not change anything so far as the governor of the Bank of Canada is concerned.

Mr. Martin (Essex East): Of course not, Mr. Chairman. That is the whole point.

The Chairman: It was for this reason I indicated it was not relevant to discuss the functions of the governor or even the person occupying this post because this bill changes nothing in the Industrial Development Bank Act in so far as the governor of the Bank of Canada is concerned and his functions in this bank. I again beg the committee to try to be relevant in discussing this clause 6. It seems to me that in due course all these matters will be discussed in a more appropriate fashion.

Mr. Martin (Essex East): Mr. Chairman, you are not suggesting, I take it, that I have not the right to ask the Minister of Finance if he has confidence in an official who is going to exercise a position of trust under this act, and who happens to be the governor of the Bank of Canada?

The Chairman: The hon. member for Essex East knows that it is not in accordance with the practice to put questions to the Chair. However, if it is by way of elucidation of the ruling I have made, I would say that he would have the right to put that question but not when we are discussing the bill.

Mr. Pickersgill: I have been looking at the speech from the throne in order to see whether we have in it any indication that any legislation of this sort was to be expected at the present session of parliament and I find here a reference to a measure. Perhaps it would be better to read it and use the language which the government put in the mouth of His Excellency:

> My ministers are convinced that additional medium term credit facilities for small businesses would enable many private projects to go forward this winter all across Canada, providing substantial additional employment. Moreover, this addition to our credit legislation will constitute a continuing stimulus to the growth of Canadian private enterprise.

[Mr. Martin (Essex East).]

Mr. Benidickson: That was in the blue baby budget.

Mr. Pickersgill: I take it that the reference was to the bill that we considered before Christmas and before the baby budget, namely the bill to establish guaranteed bank loans to assist small business. The question I should like to ask the minister is whether at the time that legislation was brought before the house the government had in contemplation the need of this present legislation that is now being brought before the house. If the answer to my first question is in the negative,—as I assume it is, as otherwise I imagine that the government would have put that into the speech from the throne as well—when did the government reach the conclusion, and for what reason, that in addition to these guaranteed bank loans this increased capital in the industrial development bank to be supplied by the Bank of Canada was also necessary? In other words, when did the government come to the conclusion that this particular measure was necessary?

Mr. Benidickson: They were not expansionists in November.

Mr. Fleming (Eglinton): Clause 6 concerns the increase in capitalization of the industrial development bank and the subscriptions in terms of shares.

Some hon. Members: Carried.

Mr. McIlraith: Is the minister going to answer the question?

Mr. Fleming (Eglinton): I have no intention of disclosing what goes on in cabinet.

Mr. McIlraith: The minister has an obligation to the house—

An hon. Member: Sit down.

The Chairman: Order.

Mr. McIlraith: In the throne speech the house was led to believe—

The Chairman: Order. May I suggest to the hon. member for Bonavista-Twillingate that this question is not relevant to clause 6. This is another side issue. This clause deals only with the capitalization and whether it should be increased as suggested by the proposed new section 12.

Mr. Pickersgill: Surely, Mr. Chairman, I cannot have heard you aright. Here we are being asked to authorize an increase in the use of funds. It is true that they are not coming out of the treasury but are coming out of an institution which is owned by the people of Canada, namely the Bank of Canada. Although the shares are held by the Minister of Finance the capital is owned by the people

of Canada. This parliament is being asked to increase that capital. I cannot believe that Your Honour suggests to me that I cannot ask why it is being increased and when the government reached the conclusion that an increase was necessary.

For the minister to suggest that to answer those questions would be to disclose secrets of the cabinet is simply not correct. If I talked in the way the minister did, I would say that it is nonsense and rubbish. I am not asking the minister to reveal who was for it and who was against it or what the arguments pro and con were in the cabinet, as that would be quite improper. I am asking when the government reached the conclusion that this additional capital for the industrial development bank was necessary as a supplement to the other legislation brought into this parliament last November.

Mr. Monteith (Perth): What has that to do with the matter?

Mr. Pickersgill: The hon. gentleman wants to know what that has to do with the matter?

Mr. Monteith (Perth): Yes.

Mr. Pickersgill: This is a perfectly proper matter for debate. I think we should like to know—

The Chairman: I agree with the hon. member that the question, as he has just put it, would be relevant.

Mr. Pickersgill: I was sure that Your Honour did so; and it is relevant. I should like to know when this idea dawned upon the government that this measure was necessary in addition to the measure that we were asked to adopt last November. Surely this measure was just as necessary last November as was the other measure.

An hon. Member: Read *Hansard.*

Mr. Pickersgill: Or did the government not think it was necessary? Or is this measure being introduced because the government feels that the other measure has not yielded the results that were expected? This is the point that I am trying to get at. I should like to know when the government came to the conclusion that this particular legislation was really necessary, and what new circumstances, between November and June, when this was introduced, arose which led the government to that conclusion. After all, the government is asking us for our approval. They are the suppliants. We are entitled to be told what these new circumstances are that led them to this conclusion. That is all I am asking the minister.

Some hon. Members: Carried.

Mr. Pickersgill: Surely we are going to have some answer about the crucial clause in this whole bill.

Mr. Fleming (Eglinton): The reasons for asking the house to legislate for the purpose of amending the Industrial Development Bank Act in the terms of this bill have been given to the house first in the budget speech, then in the discussion on the resolution stage on June 30 and again today. All hon. members are aware of the reasons. As a matter of fact, last Friday members in all parts of the house, including the Leader of the Opposition spoke warmly in approbation of this measure and the terms of it. The hon. member apparently does not wish this measure to be passed tonight.

Mr. McIlraith: Order.

Mr. Fleming (Eglinton): We have had endless repetition and irrelevancies tonight. One would have thought, Mr. Chairman, that last Friday the house was ready to deal with this bill with expedition because everybody seemed to declare himself for it. But tonight we have been everywhere but on the bill.

Mr. McIlraith: Everybody has been on the bill but the minister.

Mr. Fleming (Eglinton): After due consideration of this question and of all the many questions related to it, the government reached its conclusion to submit this measure to the house in the proper time and that was announced in the budget speech on June 20.

Mr. Pickersgill: I just want to draw your attention to the fact that the minister has made one of those usual speeches of his in which he shows his great disrespect for anyone else's opinion in this parliament except his own and in which he constantly asserts that everybody knows these things and therefore it is not necessary to state what they are.

Mr. Fleming (Eglinton): I should have made one exception.

Mr. Pickersgill: The plain fact is, of course, that my friend the Leader of the Opposition was the only member of the Liberal party who spoke on this measure at the resolution stage, and he was the only member who spoke because he wanted to see the bill. We approved the principle of this bill. We approved it at the Liberal rally last January because last January the Liberal party thought this kind of measure was necessary. At that time the government did not think so. At that time the government had not had this new vision of expansion that suddenly dawned upon the Minister of Finance on June 14, that red letter day.

Mr. Fleming (Eglinton): If you are for it, why do you hold it up?

Mr. Pickersgill: Of course, the minister will recall an occasion when a great expansionist measure—the last great expansionist measure that there was before this parliament—was into this house and when the minister was himself one of those who did his best to prevent that project which maintained full employment for another year in this country. The minister actually had to leave the house because he defied the Chair in his efforts to prevent that project.

Mr. Fleming (Eglinton): No.

Some hon. Members: Sit down.

An hon. Member: Filibuster.

The Chairman: Order. May I again ask hon. members to make an effort to discuss clause 6 of the bill and not take every opportunity to discuss extraneous matters.

Mr. Pickersgill: As a matter of fact, sir, this could all have been avoided if the minister had politely and properly answered the questions that were put to him instead of making these abusive speeches about members of parliament. I would remind Your Honour that the debate on this bill to increase the capital of this institutions to $400 million has so far consumed about 2½ hours of the time of parliament. If the minister considers that is excessive debate, as he is now suggesting, it is certainly a long road he has walked from the day he walked the length of this chamber—

Some hon. Members: Hear, hear.

Mr. Pickersgill: —when he was professing to uphold the rights of parliament for which he now has so little regard. The minister should tell us when and why he or the government came to the conclusion that this measure was necessary, and what the new circumstances were between November and June. That is the kind of information we are perfectly entitled to have in this committee before making available this very large sum of public money.

Mr. Campbell (Stormont): Mr. Chairman, may I ask a question of the hon. member who has just resumed his seat?

Mr. Pickersgill: Certainly.

Mr. Campbell (Stormont): I regret to say the hon. member has refused to answer my question of a previous day as to whether he is still supporting Mr. Coyne in his bid for leadership of the Liberal party.

Mr. Pickersgill: I thought the hon. gentleman was going to ask a question, sir, but he has not. I have asked the Minister of Finance a question that has relevancy to the bill before us and I suggest the Minister of Finance should reply to the question.

Mr. Fleming (Eglinton): I have already done so, Mr. Chairman.

Mr. Benidickson: Apparently the Minister of Finance is not going to answer the very important question asked by the hon. member for Bonavista-Twillingate. I have referred to this matter previously. I wish to raise this question, and I do so with all modesty. I do not claim to know how the Bank of Canada shall subscribe for the shares as provided in clause 6 amending section 12(2). It reads:

> The Bank of Canada shall subscribe for the said 500,000 shares at par and shall pay the amount of such subscription at such times and in such amounts as the board may determine.

The board, of course, is the board of directors of the bank. This committee is surely interested in this clause and the subsequent clause, which I think are the two most important clauses in the bill. The explanatory note with respect to clause 6 says:

> The purpose of this amendment is to increase the authorized capital of the bank from $25 million to $50 million.

Then we have to read a bit beyond into clause 7.

Mr. Fleming (Eglinton): Go ahead and take up the rest of the time.

Mr. Benidickson: We find in clause 7—

Mr. Fleming (Eglinton): Stall till 10.30.

Mr. Pickersgill: Respect for parliament.

Mr. Benidickson: —that there is a reference to the liability of the bank—

Mr. Fleming (Eglinton): This is obstruction.

Mr. Benidickson: —which goes from three times to five times the aggregate amount of the paid up capital, etc. As a very modest member of this committee—

Mr. Fleming (Eglinton): Looking at the clock.

Mr. Benidickson: —I am hoping that the minister will explain to us, no matter who is governor of this bank, whether it is the present—

An hon. Member: Time-killer Bill.

Mr. Benidickson: —governor or someone else, just how the Bank of Canada—and we are all modest and uninformed people in some of these financial matters—is going to subscribe for the additional $25 million involved. What kind of money do they use? Do they use money that they print, or where

does it come from? Does it come from borrowings that are provided by the government of Canada; and if provided by the government of Canada, why does it not appear in the budget statement with respect to cash required in the current fiscal year?

Then of course we want to know where five times the amount of capital is going to come from. Is this going to come from, as I said originally, the printing presses of the country, or what is the basis of subscribing to this capital? I thought the minister was rather rude to me when he said, "Look at the bill". I am now looking at clauses 6 and 7 —

An hon. Member: One minute to go, Bill.

Mr. Benidickson: —and I am perfectly in order in asking the Minister of Finance to explain, in layman's language, I hope, how the Bank of Canada is going to subscribe $25 million. Where does the money come from? In what manner is it provided? I am of course anticipating, but in clause 7 we have this multiple of five times the amount of the paid up capital that is provided for in clause 6. Will the minister explain to all of us interested in this very important financial transaction just how this operates.

Mr. Fleming (Eglinton): Mr. Chairman, I will be pleased to answer the question which the hon. member has now asked three times in the same speech. The money that is to be provided here is an additional $25 million. The legislation imposes the duty upon the Bank of Canada to provide this additional capital. The money will be provided, in obedience to the legislation enacted by this parliament, in the currency of Canada in the manner determined by the bank in accordance with section 12 of the act as amended by clause 6 of this bill.

Mr. Benidickson: Does that mean the printing presses?

The Chairman: Shall clause 6 carry?

Some hon. Members: Carried.

Some hon. Members: Ten thirty.

Mr. Fleming (Eglinton): A fine example of deliberate obstruction by those opposite who want to hold up the passage of this bill. Deliberate obstruction.

Some hon. Members: Oh, oh.

Progress reported.

BUSINESS OF THE HOUSE

Mr. Chevrier: Mr. Speaker, I take it that tomorrow we will deal with the Bank of Canada Act, as announced earlier. If we complete consideration of that act what business will the house take thereafter?

Mr. Churchill: Tomorrow we will start with such third readings as appear on the order paper, followed by the Bank of Canada Act which is Bill No. C-114; then a continuation of the study of the Industrial Development Bank Act amendment, Bill No. C-117; then the C.N.R. financing resolution which is on the order paper today; the Civil Service Act, which is Bill No. C-71, and Bill No. C-72 dealing with the Customs Tariff.

Mr. Benidickson: Would the house leader indicate whether or not the government is yet in a position to inform the public of its tax intentions related to the Income Tax Act?

Mr. Churchill: I am outlining the order of business only for tomorrow, Mr. Speaker.

At 10.30 p.m. the house adjourned, without question put, pursuant to special order.

90205-6—472

HOUSE OF COMMONS

Tuesday, July 4, 1961

The house met at 11 a.m.

SITTING SUSPENDED

Mr. Speaker: Order. I do not know whether the house leader would like to propose a temporary adjournment or suspension in view of the difficulty with the lighting.

Mr. Churchill: Yes, Mr. Speaker, if it is only for a short interval. Have you any suggestion as to when the lights may be on?

Mr. Speaker: My information is that the interruption will be reasonably short. Perhaps the lights will be on before we could remove the canvas from the windows.

Mr. Churchill: I therefore move the temporary adjournment of the house, Mr. Speaker, to resume at the call of the Chair.

Some hon. Members: Carry on.

Mr. Speaker: It is suggested by the house leader that the house suspend its sitting to reconvene at the call of the Chair. I shall have to call the yeas and nays. Those in favour of suspension please say yea.

Some hon. Members: Yea.

Mr. Speaker: Those opposed please say nay.

Some hon. Members: Nay.

Mr. Speaker: In my opinion the yeas have it. This sitting stands suspended to reconvene at the call of the Chair, to be signified by the ringing of the bell.

At 11.20 a.m. the sitting was suspended.

SITTING RESUMED

The house resumed at 11.50 a.m.

EXTERNAL AFFAIRS

REQUEST FOR REPORT ON INTERNATIONAL SITUATION

On the orders of the day:

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, last evening in a speech in Toronto the Prime Minister referred to the seriousness of the international situation. I believe he said it was more serious now than it has been since 1945. I wonder whether the Prime Minister would care to comment on this prediction.

90205-6—472½

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, I referred among other things to a statement made by Lord Home only a few days ago to that effect, namely that these next six months are going to be one of the most difficult and dangerous periods through which we have passed since the last war. I referred to the refusal on the part of the U.S.S.R. to enter into an agreement outlawing the testing of nuclear weapons, to the apparent endeavour of Mr. Khrushchev to emasculate if not destroy the United Nations, and to the threatening if not bellicose statements he has made in recent months.

Coupled with his statement that in the absence of agreement with the west the U.S.S.R. would sign a separate treaty with East Germany and turn over to East Germany control of the access routes to West Berlin, these circumstances taken together reveal the gravity of the situation. Since 1945, there has not been, in the opinion of the leaders of the various free world nations, a situation more serious to contemplate. There is always, of course, the fact that the U.S.S.R. must be deterred from taking precipitate action by the overwhelming fear of nuclear war.

I said further that I felt that the unity of the western alliance, as the Leader of the Opposition has said on more than one occasion, must be strengthened and that, in so far as the nations joined together for freedom are concerned, I hoped they would arrive at a basis of agreement among themselves so that a united stand would be taken and negotiations could continue and be pressed forward, but that negotiation could not be acceptable to the western world if it were to include the acceptance of Soviet abrogation of or unilateral interference with allied rights in West Berlin or the sacrifice of the freedom of the people of that city.

Mr. Pearson: Mr. Speaker, in expressing appreciation for the Prime Minister's sober but realistic statement, and especially his views that this is the time for the west to stand firm without, of course, provocation, may I ask the Prime Minister whether Canada is being kept informed of these developments from day to day.

Mr. Diefenbaker: Mr. Speaker, as the hon. gentleman, with his great experience in external affairs, knows, there is continuing consultation. I am hopeful that as a result

of consultation not only the nations particularly affected by the treaty agreements in West Berlin but all the NATO nations will be able to arrive at an agreed position which will not deny negotiation, which will not be rigid and unbending, but which at the same time will not sacrifice the freedom of the people of West Berlin who rely upon NATO to ensure and maintain those things without which freedom everywhere in the world would be challenged.

Hon. Paul Martin (Essex East): Mr. Speaker, may I ask a supplementary question. In view of what the Prime Minister has just said may I ask whether he sees any prospect for a meeting of the heads of government of those countries in the North Atlantic Treaty Organization.

Mr. Diefenbaker: No direct consideration has yet been given to that matter.

CANADIAN ARCTIC—INSTALLATION BY U.S. OF ATOMIC POWERED WEATHER STATION

On the orders of the day:

Hon. Lionel Chevrier (Laurier): Mr. Speaker, may I direct a question to the Secretary of State for External Affairs. My question is based on an article in the Washington *Post* of June 30 which suggests that a recently developed atomic powered weather station is to be shortly installed in the Arctic. Has the Canadian government authorized the installation by the United States of an atomic powered weather station in the Canadian Arctic?

Hon. Howard C. Green (Secretary of State for External Affairs): Mr. Speaker, I will have to take this question as notice.

LABOUR CONDITIONS

SPRINGHILL, N.S.—REQUEST FOR PROVISION OF WORKS PROJECTS

On the orders of the day:

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, may I ask the Prime Minister whether he has received a telegram from the citizens' committee of Springhill, Nova Scotia, pointing out that 40 per cent of the work force of that community is unemployed and requesting that provisions similar to the program for Cape Breton island be applied to that community for immediate works projects. If so, has the Prime Minister made any decision on this request, and could he advise the house accordingly?

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, I had a telegram on my desk this morning from the source mentioned by the Leader of the Opposition. Naturally there has not yet been time to give consideration to the request or its purport.

HOUSE OF COMMONS

PROVISION OF EMERGENCY LIGHTING SYSTEM

On the orders of the day:

Mr. E. J. Broome (Vancouver South): Mr. Speaker, I have a question for the Minister of Public Works. Will the minister take under consideration the study of a plan for an emergency lighting system for the House of Commons, so the house can carry on without undue interruption when there is a power failure?

Hon. D. J. Walker (Minister of Public Works): I have already done so, Mr. Speaker.

COAL

CAPE BRETON—REQUEST FOR EXTENSION OF OPERATION OF FLORENCE COLLIERY

On the orders of the day:

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, I wonder whether the Prime Minister or the Minister of Mines and Technical Surveys is in a position now to answer the question I asked yesterday, which the Prime Minister took as notice.

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, I had expected to be able to answer that question this morning. I will do so tomorrow morning, if that is satisfactory to the hon. gentleman.

Mr. Pickersgill: Yes.

INDUSTRY

AUTOMOBILES—REPORTED INCREASED PRICES IN TORONTO

On the orders of the day:

Hon. Lionel Chevrier (Laurier): Mr. Speaker, may I ask a question of the Minister of Finance. Would the minister care to comment on a Toronto report that automobile prices are inching higher in that community despite the rebate dealers are receiving in respect to the abolition of the 7½ per cent excise tax? This appeared in a story on page 20 of this morning's *Globe and Mail.*

Hon. Donald M. Fleming (Minister of Finance): I have not seen the article, Mr. Speaker. I have no information which would confirm the purport of the article as related to the house by the hon. gentleman. I made it very clear in the budget speech that we expected the benefits of the excise tax removal would be passed on by manufacturers and dealers to the consumer. In the representations

which they made to us previously the Canadian automobile chamber of commerce always gave the government the assurance that the benefit of any tax reduction or removal would be passed on to the consumer.

We have taken steps also to assist the dealers in this regard so they would not have cars on their floors on which the tax has been paid without having any opportunity of recovering the tax. That problem does not exist, and I can see no justification whatsoever for any failure to pass on to the consumer the full benefit of the removal of the excise tax.

AUTOMOBILES—REFORTED REPAIRING OF MOTORS IN U.S.

On the orders of the day:

Right Hon. J. G. Diefenbaker (Prime Minister): Yesterday the hon. member for Burnaby-Coquitlam asked me a question and I said I did not then have the complete answer. The question had to do with an allegation that there was a growing practice of automobile factories in Canada sending motors to the United States to be repaired.

The Canadian automobile chamber of commerce has informed the government that the six companies manufacturing automobiles in Canada do not send motors to the United States for repairs. This work is done in Canada. I mentioned Volkswagen yesterday, and I may have been in error in what I said then. Volkswagen have installed facilities in Canada for reconditioning motors for their cars.

FINANCE

BANK OF CANADA—APPEARANCE OF GOVERNOR BEFORE BANKING AND COMMERCE COMMITTEE

On the orders of the day:

Hon. Paul Martin (Essex East): I should like to ask a question of the hon. member for York North, the chairman of the banking and commerce committee. Can the hon. member say, now that the printed transcript of the evidence given at the meeting of June 22 is available, when the steering committee of that committee will meet to decide whether or not to recommend that the governor of the Bank of Canada be called before the committee?

Mr. C. A. Cathers (York North): The committee will be called when this house has referred this matter to the committee.

Mr. Martin (Essex East): A supplementary question. Does the hon. gentleman not recall having made a commitment to call the steering committee to consider that question? May I have an answer to that question in view of the discussion which will take place later today?

Mr. Cathers: That is quite correct. We decided to have a meeting of the steering committee on that matter, and we will give that consideration.

(Translation):

AIRPORTS

MONTREAL—PROVISION OF LUGGAGE CARRIERS

On the orders of the day:

Mr. L. J. Pigeon (Joliette-L'Assomption-Montcalm): Mr. Speaker, I wish to direct a question to the Minister of Transport. Does the minister intend to make rolling baskets available to travellers at the Montreal international air terminal?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, it gives me pleasure to tell my hon. friend that rolling baskets such as are used in super-markets have been ordered and will be made available to travellers within a few days.

(Text):

POWER

COLUMBIA RIVER—INQUIRY AS TO MEETING WITH PREMIER BENNETT

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): I wish to direct a question to the Minister of Finance. Can the minister inform the house whether he has arranged a meeting with Premier Bennett during his stay in Ottawa while attending the national Social Credit convention?

Hon. Donald M. Fleming (Minister of Finance): No, Mr. Speaker; no such meeting has been arranged. I gather that the premier is in Ottawa for other purposes than discussions with the federal government on matters of mutual interest, and I thought it best not to interrupt his program while he is here in the city on other business.

NATIONAL REVENUE

MONTREAL—VISIT BY INSPECTOR TO JEAN TALON HOSPITAL

On the orders of the day:

Mr. J. P. Deschatelets (Maisonneuve-Rosemont): Mr. Speaker, I should like to direct a question to the Acting Minister of National Revenue. On two occasions the minister has said that the inspectors who visited the Jean Talon hospital were concerned with routine

proceedings. I should like to know if those routine proceedings are now completed.

Hon. J. W. Monteith (Acting Minister of National Revenue): Mr. Speaker, I said on two or three occasions in the house that it has not been public policy to make public any of the secret matters concerning an income taxpayer's file. I have said that an income tax inspector visited this hospital, but I do not feel I can go any further than that.

Mr. Deschatelets: A supplementary question. Would the minister say whether the report of those routine proceedings was referred to the Department of Justice?

Mr. Monteith (Perth): No, I will not go any further than I have gone, Mr. Speaker.

Mr. Deschatelets: Mr. Speaker—

Mr. Speaker: The hon. member for Renfrew North.

BRIDGES

ROLPHTON-DES JOACHIMS—INQUIRY AS TO LIGHTS

On the orders of the day:

Mr. J. M. Forgie (Renfrew North): May I ask the Minister of Public Works whether he has decided to have Conservative lights on the interprovincial bridge between Rolphton and Des Joachims?

Hon. D. J. Walker (Minister of Public Works): No, but does the hon. member think it would be a good idea?

Mr. Forgie: Yes, I do, provided they would continue to be lighted.

EXCISE TAX ACT

Hon. Donald M. Fleming (Minister of Finance) moved the third reading of Bill No. C-118, to amend the Excise Tax Act.

Motion agreed to and bill read the third time and passed.

CUSTOMS TARIFF

Hon. Donald M. Fleming (Minister of Finance) moved the third reading of Bill No. C-116, to amend the Customs Tariff.

Motion agreed to and bill read the third time and passed.

BANK OF CANADA

CREATION OF VACANCY IN OFFICE OF GOVERNOR

The house resumed, from Monday, June 26, consideration of the motion of Mr. Fleming (Eglinton) for the second reading of Bill No. C-114, respecting the Bank of Canada and the amendment thereto of Mr. Pearson.

[Mr. Deschatelets.]

Mr. M. J. A. Lambert (Parliamentary Secretary to the Minister of National Revenue): Mr. Speaker, a week ago when speaking at the hour of adjournment I had made reference to a document almost six pages long, a letter dated June 26, 1961, appearing over the signature of the governor of the Bank of Canada. At that time I called it a contemptible document deserving only the greatest scorn and condemnation. Those were words of the moment, giving my reaction in the first instance to the spirit and intent of this remarkable letter.

A week's reflection, Mr. Speaker, makes me wonder at the moderation of my language at that time. If he be the true author of this letter, then Governor Coyne has literally taken leave of his senses. He has lost all sense of proportion as between himself as governor of the Bank of Canada, the government and parliament. I will return to this letter later.

Previously I had said that the governor was responsible for the turn of events. He is the one who on June 13 issued a statement to the press when the board of directors was actually considering the matter of his resignation or continuation in office as governor of the bank. This statement which he published had been well prepared in advance, ready for distribution. At that moment Governor Coyne repudiated the responsibility and duty of his office. He was challenging the government; he was entering into the political arena.

This statement was followed by other letters, each progressively worse, not to mention the press conference in the middle of the night. If all this was not cause enough to have the governor sacked, then the letter of June 26 really stripped James Coyne of any vestige of any claim whatsoever to remain at his post. I need not emphasize his breaches of a clear duty when he published confidential memoranda and letters addressed to him or by him as governor of the Bank of Canada.

What has been the public reaction to Mr. Coyne's course of conduct? It has emphasized that the responsibility and supremacy of the elected government in a democracy require that its public servants be seen but not heard on matters of policy except on specific request of the government. The higher the position of the public servant, the more important it is that he should not cross this boundary and transgress on the prerogatives of the elected government which employs him. Perhaps the governor has felt that his position, if one measures it by salary and pension benefits, puts him far above the government. After all, there is a vast difference between his salary and pension and that of a minister of the crown, and indeed even more if compared with the salary and pension

of a member of this house. If Governor Coyne has any such ideas, then indeed he is living in a world of his own far removed from reality.

Now, we know that Governor Coyne did transgress. In months past he has made a number of speeches and pronouncements on Canadian economic difficulties and on economic policy which overstepped the bounds of his office. We have had no evidence at any time, either from himself or from others, that he was ever requested to make such speeches on behalf of the government. In fact ever since May 30, when his resignation was asked for, Mr. Coyne has gone even further in refusing to resign unless forced to do so by an act of parliament.

At this point one may pause and ask why has the governor set himself up against the government? Why has he entered the political arena? Why in fact has he arrogated to himself the functions and duties of a leader of the opposition? His criticisms have been in the same vein and tenor. As a matter of fact there are one or two significant points or questions which arise, and I think we should explore them a little.

First of all, who advised the governor to step over the line and defy the government, yea, even more, parliament, to fire him by an act of parliament? That was a political step which could be motivated, I suggest, sir, only by political considerations. Second, on June 26 there appeared that notorious letter, written in a language and style far removed from that usual with the governor, even those letters of June 9, June 13 and June 16; much more violent, with a good deal of personal invective.

Concurrently, let us recall the debates of June 26 and particularly the speeches by certain members of the official opposition. First of all, the Leader of the Opposition made the request for the appearance of Governor Coyne before the banking and commerce committee. I will not mention the rest of his speech; it was a lot of back room stuff, much of which we have heard in the past in one form or another.

Then we heard from the hon. member for Essex East in his own inimitable style of thunderous indignation, which at times sounds as hollow as are some of his arguments, in which he preached the same message. He was not quite as courteous as the Leader of the Opposition; and we all know, of course, that the hon. member for Essex East feels that he can get as rough as he likes in his posturing and in the booming, sonorous phrases and so on that accompany his speeches on such occasions.

But, Mr. Speaker, we then come to the speech of the hon. member for Bonavista-Twillingate, to which I have made reference in another debate. I leave aside any aspect of personal motives because, after all, the rules of conduct in this house preclude me from attributing any malice to the hon. member, and I would not do so; but for pure, unadulterated invective against the Minister of Finance and the Prime Minister the hon. member for Bonavista-Twillingate put on quite a performance. In doing so he may have unwittingly drawn back the curtain at least part way on who has been guiding and advising Mr. Coyne.

The hon. member for Bonavista-Twillingate is not known for plagiarizing the ideas or statements of others. His mind is quite agile enough both in quality and in quantity to provide him with sufficient ideas for those few times, so he says, when he is on his feet in this house. Let us compare the letter of June 26 and the hon. member's speech of the same day, a speech delivered a strikingly short time after the letter was made public. Let us see what a remarkable parallel of ideas there is between the speech and the letter. Oh, we heard a great deal of talk that there was not going to be any budget, that there was going to be a snap election. We heard about that from the hon. member; we also read about it in the letter.

We heard from the hon. member about the use of a printing press to finance the government's program. We also read about that in the letter. We also heard something, and in this instance I thought the hon. member was treading on dangerous ground, about the quality of the appointments of directors of the Bank of Canada. We also heard read comments about what had happened to the present directors. Unless the hon. member for Bonavista-Twillingate drew his inspiration from the letter—and I might inquire when he got his first copy of it—then he certainly was most familiar with the thinking of the governor.

I am prepared to go as far as to say that certain members of the official opposition have been consulting with and advising Mr. Coyne in this deplorable affair. We know from his own admissions that the hon. member for Bonavista-Twillingate discussed this matter with the governor in the interval between June 13 and June 26, but I should like to know about the period between May 30 and June 13. Was there consultation? If I have been unfair, and if hon. gentlemen opposite have not been actively advising or consulting with the governor, then certainly it is someone in the hierarchy of the Liberal party, and the pipe line to hon. members opposite is short and direct.

This whole affair, Mr. Speaker, has been a politically inspired move; but would it

not be ironic because we know there are many in the Liberal camp who blamed Mr. Coyne for wrongfully advising Mr. Harris in 1957, and who say that as a result of that advice the Liberal party was voted out of office. They had a great love for office, and I am just wondering how far they have been prepared to go to even the score. They could not do anything about it up to now. Oh, some hon. members opposite have done some sniping at the governor, but what a wonderful opportunity was presented after May 30, after a plan that Machiavelli might have admired.

Mr. Hellyer: Do you mean the Prime Minister?

Mr. Pearson: Are you having fun?

Mr. Lambert: What about the question of advising Mr. Coyne to take this action? It was obvious to all that Mr. Coyne would have to go, but could they not use the position taken by the governor to berate the Minister of Finance. We know just how much certain members of the opposition love the Minister of Finance, but in order to achieve this end Mr. Coyne would have to go through a political guillotine. But why worry? They had already had too much to do with him. He had harmed the Liberals in 1957, and while retribution might be a little delayed, how certain it was this time. Perhaps Mr. Coyne will wonder whether his head is in a sack because he has been made a dupe for political purposes.

A good deal has been said about the pension matter, which was first raised publicly by Mr. Coyne and was seized upon by the press because of its very nature. The emphasis on this matter is that of Mr. Coyne and his alone. He is the one who upgraded it. The Minister of Finance, who as spokesman for the government has been a welcome contrast to the governor in his restraint in dealing with this matter, has made his personal position clear. Notwithstanding this, the opposition have attacked the Minister of Finance because of Mr. Bryden's resignation. This hue and cry was taken up by Mr. Coyne on June 26, and there again I wonder about the parallel in thinking.

However, Mr. Bryden has made his position quite clear. In a statement on June 28, which has been made public, he has quite clearly set forth just where he stood. He has refuted that canard that he resigned for reasons of disagreement with the Minister of Finance.

I should like to refer to this document and put some of it on the record. Mr. Bryden says that he was first appointed a director of the Bank of Canada on March 1, 1958 for a three-year term. However, in October, 1960 he advised the executive committee that because he was taking an appointment with the Canadian life insurance officers association in May, 1961, he would have to give up his executive directorship in the bank. He indicated to the Minister of Finance at that time that in the light of this fact it might be desirable to replace him as a director of the Bank of Canada. On the other hand, he was prepared to stay as a director of the Bank of Canada if this might prove possible.

Mr. Martin (Essex East): May I ask the hon. member a question? Is he now quoting from the letter of resignation or from the published statement?

Mr. Lambert: I have referred to the public statement. As of March 1, 1961 Mr. Bryden was reappointed to the board and on March 20 he was re-elected executive director. However, on March 29, 1961, after consultation with his doctor, Mr. Bryden felt it was necessary to retire from the board. The reasons given were included in his letter of resignation which went forward on April 4. The substance of this letter was reported to the house by the Minister of Finance on May 30 in reply to a question by the Leader of the Opposition. Then Mr. Bryden says:

> There was some suggestion at that time that these were not the real reasons. I confirmed your statement then and do so again now.

Further down on the same page he says:

> Reference has been made by Mr. Coyne in a recent letter to you—

That is June 26.

> —that I told you about a possible change in these provisions six months before the directors acted in February 1960. The letter I addressed to you on April 7, 1961 gives in chronological sequence the meetings and discussions relating to both salaries and pensions which led up to the approval by the board of amendments to the pension fund by law. I continue to regard this letter as a confidential communication. At Mr. Coyne's request I subsequently sent a copy of this letter to him in his capacity as governor of the bank, since I was still technically a director of the bank at the date the letter was written.

Here again we have a breach of confidence, Mr. Speaker. Then Mr. Bryden says:

> I had two conversations with you with respect to pensions. The first was in August 1959, when in a very casual conversation I said that a subcommittee of the board was giving consideration to the bank's pension fund and to salaries. No reference was made to the special provisions dealing with the pensions of the governor and deputy governor and in fact no details at all were mentioned because, at that time, the board's subcommittee had barely started to work.
>
> The second conversation with you was on March 21, 1961, when I mentioned in another connection, the action taken by the board on February 15, 1960, with regard to the special pension provisions for the governor and deputy governor. You were surprised to learn of this and I was also surprised that you did not know of it.

Now, Mr. Speaker, I think that will put in a clear light the information that was

made available to the Minister of Finance with regard to this minor affair of the pension of the governor of the Bank of Canada.

The amendment before the house is that this matter be referred to the banking and commerce committee. What is the purpose of this amendment? It is not to afford the governor an opportunity to put forward his point of view; that is not the true purpose of it. Certain groups in the opposition will be there to make statements. We know how they behave in certain committees; I might even use the term "bully boys" of the house committees. We know how they lean on chairmen, and how the rules are not written for them except when they are advantageous to them. This is the true purpose of this amendment, so these members can get their views on the record, not the views of the governor.

Lastly, Mr. Speaker, I would revert to an argument I used the other night. Since when has a public servant a right to demand of parliament that he be heard before a committee before parliament can arrive at a decision as to his tenure of office?

Mr. Martin (Essex East): Since the foundation of British justice.

Mr. Lambert: If this procedure applies to the governor of the Bank of Canada in his exalted position, in the eyes of some people, then why not to the lowliest civil servant?

Mr. Pearson: They have the opportunity to be heard now.

Mr. Lambert: They have not the right to demand a hearing before a parliamentary committee. There is nobody here who is denying the governor of the Bank of Canada a public hearing. He has all these advocates opposite, and he certainly has availed himself of the facilities of the Bank of Canada in order to put forward his story.

Mr. Pearson: Read the bill of rights.

Mr. Lambert: I know it is not possible, Mr. Speaker, to quote editorials in connection with matters of this kind. However, as an indication of the public attitude I would refer hon. members to an editorial that appeared in the Edmonton *Journal* of June 17. Having referred to the conduct of the governor of the Bank of Canada, the editorial indicates that the governor has a clear duty to resign when requested to do so by the Minister of Finance on behalf of the government. The editorial concludes with these words:

> No tears need be shed over his dismissal.

Mr. Walter Pitman (Peterborough): Once again we find ourselves discussing the affairs of Mr. Coyne. It is rather interesting to note that there has been such a delay in bringing this bill forward. The Minister of Finance when introducing this measure stated, as reported at page 7040 of *Hansard*:

> As I said, this measure presents the issue in a clear and direct form. Other questions can be resolved in due course and at the proper time. All other questions depend on the outcome of this issue before parliament. The issue presented by this measure is essential; the decision on it must precede anything else.

We were led to believe that this bill would be brought before the house in due course, that is in a day or so. However, the debate on this measure has not been continued since June 26. We wonder why. Could it be that the government was reluctant to bring this measure forward before the first anniversary of the bill of rights which they so proudly brought into effect last July 1? One might very well wonder.

There was a time in this country when the government of Canada governed. We may be at odds with our friends to the left as to how they governed, but certainly there was an interest in governing. There was some quiet measure of efficiency as a government tried to run this country. The problem today is that this government does not wish to govern. It would far rather carry on the country's affairs in a semihysterical state of electioneering. I recall hearing a commentator on the C.B.C. say that the Prime Minister enjoys electioneering. They enjoyed it in 1957, and there was another election in 1958. There would have been another one in 1959 and 1960 if they had not thought the electors of this nation would feel they were being rather ridiculous.

It is rather fantastic that with a huge majority, this government cannot sit down and start governing this country in something resembling a normal fashion. We stagger drunkenly from crisis to crisis.

Mr. Speaker: Order. Perhaps I should remind the hon. member that the matter under debate is the second reading of Bill No. C-114, an act respecting the Bank of Canada, and the amendment thereto to refer the subject matter to the standing committee on banking and commerce.

Mr. Pitman: Thank you, Mr. Speaker; I appreciate you bringing this to my attention, and I shall continue immediately in that vein.

We in this group want to see Mr. Coyne given a fair opportunity to come before the elected representatives of the people. I think this government, perhaps more than previous governments, has brought before this house the importance of committees. Committees are the only place where one can really find out what has been happening. After being told how important committees are we are

denied, for the second time in two days, the right to bring before a committee something of the utmost importance to the people of this nation.

I should think the people on the right of Mr. Speaker would be even more concerned, because it is a well known fact that those supporting the government are somewhat circumscribed in their opportunities to participate in debate or ask questions to secure information in this house. I have discovered, in the few months I have been here, that it is only in committee that you can make a real, definitive exploration of those things which need to be explored before any bill can rightly be put through this parliament. We talk about Mr. Coyne and the method by which he has made his views known. This is simply because he has no other sounding board. Give him a sounding board; then he will not need to send out his missives from the Bank of Canada.

I find it rather humorous that members on the other side of the house have been complaining about the cost of Mr. Coyne's letters going forth from the Bank of Canada offices. May I use the computation of a colleague of the Minister of Finance that it costs $20,000 a day to run this house. Because of the bungling and ineptness of this government we have already gone through two days on this question and may go on to three, so I would say there was $40,000 to $60,000 of this country's money wasted. The Minister of Finance is far ahead of the governor of the Bank of Canada in the cost to this nation.

Mr. Fleming (Eglinton): Mr. Speaker, I made no such statement.

Mr. Pitman: Mr. Speaker, I did not say the Minister of Finance made any such statement. I said the Minister of Public Works made a statement in regard to the cost of running this house.

Mr. Fleming (Eglinton): The hon. member said the Minister of Finance.

Mr. Pitman: Even Mr. Coyne's critics have been appalled by the minister's action. We do not need to read what they said on the day the Minister of Finance made his statement. One of the critics has even suggested that this bill would not stand up in a court of law, that it is indeed void of legality to say nothing of not containing any element of mercy. What good behaviour has been transgressed by the governor of the Bank of Canada? No judge sitting on the bench across this nation has any reason to feel that his position is secure if a bill can be brought before this parliament removing a man who has been put in on the basis of good behaviour, with no explanation being given to members of the house and no opportunity for that man to be heard. There is an outraged sense of justice on the part of the people of this nation at what happened in this house over the last week.

I should like to bring before this house one or two reports from the press. The Ottawa *Journal*, in an editorial which largely supported this government, had this to say:

> And yet might it not be the wise thing—the best course politically—for the government to give Mr. Coyne his "day in court", to bring him before a committee and have him state his case and then be cross-examined by competent cross-examiners not only on his course over the past two years but about the several statements he has been making over the past few weeks.

And further:

> The government we say again has not handled this case impressively—

That is an understatement.

> —it waited too long to act and then acted to fumble—certainly to fumble and show little sensitivity when it dragged in the irrelevance of Mr. Coyne's pension as one reason, even if only (as Mr. Fleming says) the fifth one for Mr. Coyne's dismissal.

May I read an excerpt from the editorial page of the Peterborough *Examiner*.

Some hon. Members: Order.

Mr. Pitman: I am sorry, but I did not hear the remarks of the hon. member for Oxford.

> In his latest open letter to the Minister of Finance, Donald Fleming, the governor of the Bank of Canada makes a number of inferences which cannot pass unnoticed and which must be investigated before the dispute between these two men is disposed of summarily. We refer to Mr. Coyne's inferences that Mr. Fleming and—

Mr. Speaker: Order. I think the hon. member is now transgressing the rules. It seems to me that the editorial is commenting on the Minister of Finance and his conduct in parliament and not on the public issue.

Mr. Pitman: I should be very glad to state definitely that here is another indication that the people across this nation are concerned about the action of this parliament and the way in which Mr. Coyne is being treated.

We have heard a great deal of the fact that Mr. Coyne's speeches have been a cause of great embarrassment to this government, and that the Minister of Finance has told Mr. Coyne to stop making speeches. Yet when one reads the speeches of the governor of the Bank of Canada and the speeches of the Minister of Finance, one finds a considerable area of agreement. For example, a speech which the minister himself gave to the Economic club in Chicago could have been written by Mr. Coyne. The minister took it upon himself to lecture his American cohorts about the fact that Canada had a large deficit with

the United States which translated into American terms would be $10 billion to $20 billion. On that occasion the Minister of Finance said:

I suspect that if you had a deficit of this magnitude, instead of the present 3 billion figure, it would be treated as a matter of really serious concern, even if the deficit were matched, as is the case in Canada, by a corresponding inflow of external capital.

A month later Mr. Coyne was addressing the Economic club of New York, and he stated as follows:

Without your surplus with Canada . . . your deficit on current account during this period would have been 13 billion instead of one billion dollars.

Mr. Fleming in the same speech stated:

Too much foreign investment in Canada in certain forms or too much borrowing abroad by various Canadian entities can have unfavourable consequences to the economy. That is one reason why many Canadians have been giving searching thought to the whole subject of external investment in Canada.

A full year ago Mr. Coyne stated:

In other words we are incurring foreign debt to pay for both a level of capital spending and a standard of comfort which were higher than would be justified by our own earning capacity.

The Minister of Finance speaks of the opposition talking out of both sides of our mouths. He told the Economic club of Chicago in the same speech:

But I emphasize as strongly as I can that this increase in the withholding tax on certain types of investment—

This was after the baby budget.

—hitherto exempt is not an indication of any desire on Canada's part to interfere with the creative investment of American or other outside capital in Canadian industry and commerce. Nor do I believe it will have this effect.

That is certainly not the indication we received last December when the baby budget was brought down and this withholding tax was given some consideration by this government. Of course the key word here is "creative" in the phrase "creative investment". However, I suspect this government would not be able to recognize creative investment if it saw it.

To go on, may I say this. Just four months ago the Minister of Finance was saying in the same speech:

I should mention, however, that there are a few facts associated with external investment which do give us concern. The first arises from the implications of external ownership in some of our industries.

Five months previously Mr. Coyne was saying this. He spelled it out:

By the end of 1957, foreign companies and other foreign investors had a controlling interest in 56 per cent of all manufacturing industry in Canada—

And he went on to show the extent to which United States concerns control our economy. This is a sidelight, and a very interesting one. One of the first speeches Mr. Coyne made quoted the Minister of Finance in a very interesting way. I will bet no attempt was made to close off this speech. Here I am quoting Mr. Coyne who is quoting the Minister of Finance:

I should like to remind you of some recent remarks by the Hon. Donald Fleming, Minister of Finance. In a speech at Shawinigan, Quebec, on November 4, 1959—

I remind the house that this was some time after the governor had angrily rejected any attempts on the part of the government to ease up the money policy of the Bank of Canada.

—the minister said, "No government, excepting one possessing complete totalitarian powers can compel free men to lend it money."

In comment one might suggest that some sense of direction, some sense of urgency, some extent of confidence might have encouraged people to lend this government money. The quotation continues:

"The interest rates which governments in a free society must pay depend upon the interplay of forces of supply and demand".

These are the words he is quoting of the Minister of Finance, and the demand of the government is for some $700 million at the moment. Then he tells us that interest rates are coming down.

He—

That is the Minister of Finance.

—pointed out that—

And here is a very interesting comment which Mr. Coyne was relating.

—"There is no short cut for any government to lower interest rates on its borrowings".

That is a rather interesting comment after the remarks that have been made in this house over the last few weeks.

He also noted that "Prevailing high interest rates have not interfered with the process of economic growth either in Canada or elsewhere."

This was Mr. Coyne quoting the Minister of Finance in 1959. I can say that speech was no doubt applauded by the Minister of Finance. When did the change come? When did the speeches of the governor of the Bank of Canada begin to embarrass this government? The change came when the governor of the Bank of Canada said that full employment was possible if the government was ready to take the initiative, was ready to use fiscal policy, if it was ready to accept its responsibilities as the government of this nation. That is when this government became very, very embarrassed. This government has made a fetish of giving every reason on earth why

it has not solved the problem of unemployment, and finally it came up with the slogan of socialism versus free enterprise. It blames its complete ineptitude on the problems in the United States, on the problem in Europe and on larger families. Then Mr. Coyne came along and said it could be done, and when he said that Mr. Coyne had to shut up or go.

An hon. Member: Do you agree with his suggestions?

Mr. Pitman: No, I do not agree with his suggestions, but in the words of Voltaire I agree with his right to make them.

Some hon. Members: Hear, hear.

Mr. Pitman: This government put through a bill of rights. In my travels around various parts of Canada I have seen this bill of rights hanging on the walls of schools and in auditoriums, indicating this government's concern for the rights of the individual. If this amendment is not passed I hope all those Canadian people who have sent for the bill of rights on parchment and on sheepskin will turn that bill of rights against the wall until this administration is put out of office.

We want to see Mr. Coyne. We have a number of questions we would like to ask him. The only way those questions can be answered is by having Mr. Coyne appear before the banking and commerce committee. This government was very concerned about closure, but this is worse than closure. Closure relates to the right to debate a matter in this house. This government is determined not to allow even information to be obtained so a debate can be carried on in this house. I should like to have some questions answered, and they are not going to be answered in this house unless we have Mr. Coyne before a committee. What has been the relationship of the bank—

Mr. Grafftey: Would the hon. member permit a question?

Mr. Pitman: I certainly will.

Mr. Grafftey: Getting down to specifics, could he inform the house what questions he would ask Mr. Coyne—

Mr. Pitman: I would be very glad to inform the house of the specifics.

Mr. Grafftey: Specifically, what questions could you ask that have not already been asked and answered?

Mr. Pitman: I will be very glad to inform the house of the specific questions. Did the governor of the Bank of Canada turn down a formal proposal, or was this just some crackpot scheme, in 1957-58 when he was asked to ease the money supply? That is what I would ask.

Mr. Grafftey: You can ask that in the house.

Mr. Pitman: I would like to know what has been the co-operation of the governor of the Bank of Canada with the government in the last four years. The whole record of this government over the last four years is one of growing ineptitude. Let us find out why. We certainly have not yet found out in this house. We are dependent entirely upon the statements of the Minister of Finance. What has been the relationship of the bank and this Minister of Finance? We have not found out yet. We have only found out what the Minister of Finance says has been the relationship. What have been the conversations between the minister and the governor of the Bank of Canada?

I would like to bring some of the bankers of this country before the banking and commerce committee. Let us ask them what they think of the policies of the governor of the Bank of Canada. Let us bring some of the directors of the Bank of Canada before the committee. On one side we have it said that the government put pressure on those directors to have the governor resign. On the other side it is said that these governors all want to get rid of Mr. Coyne. That has not been resolved in this house. Are those enough questions for the hon. member for Brome-Missisquoi?

An hon. Member: It is too much for him.

Mr. Pitman: I would like to bring the assistant to the deputy minister of finance before this committee and ask him, did he not feel it was proper to report such an important change in the pension of the governor to the Minister of Finance or his deputy.

An hon. Member: The minister said he made that report.

Mr. Pitman: Well, let us not get into the problem of what the minister has said in this house. It is rather interesting; there is almost a dramatic quality about this whole affair. The governor of the Bank of Canada was at Stratford the night the Minister of Finance was carrying on his perorations in this house. He might well have remembered those lines from Hamlet about the "insolence of office", because here we have Hamlet himself delaying and delaying for four years. Now in conclusion I might say he has picked up the poison-tipped sword, but this sword has two edges. He can use the power of parliament, without giving it information, to destroy the governor of the Bank of Canada; but this sword can also destroy this government.

It can destroy this government, because there is one thing about the people of Canada on which I think we must all agree; that they have a sense of fair play. It has perhaps come from the feudal system—

Some hon. Members: Hear, hear.

Mr. Pitman: —the teachings of chivalry; it has perhaps come from the playing fields of England; but it has become ingrained in the Canadian character. It is this sense of fair play that has apparently been violently outraged by this government.

Hon. J. M. Macdonnell (Greenwood): Mr. Speaker, I propose to vote against this amendment, and I would like to take the time of the house just for a moment or two to explain why. To me the matter is simple. I have listened to the discussion, including the somewhat impassioned rhetoric of the hon. gentleman who has just spoken. I believe that I am just as concerned about British justice as any of them.

Some hon. Members: Hear, hear.

Mr. Macdonnell: I am familiar with the old quotation from Voltaire and indeed have often used it myself. But to me, Mr. Speaker, this matter is being blown up out of all recognition. Judging from what I have heard about the committee, nothing would be foreign to the committee; it would survey the whole area of political and economic life. However, that is by the way.

Why do I say it is simple? I hear all these well remembered phrases about fair play, a day in court, and so on and so on. I say, what is the argument? Usually when we talk about a man having his day in court and getting fair play it is because there is some question affecting him; we are afraid something is going to be done which will be an injustice to him. What is going to be done here? The governor of the Bank of Canada is going to be relieved of his post.

I have not heard anyone in this house say that this should not be done. However, I shall content myself with quoting what the Leader of the Opposition said the other day on that point. I will read from page 7050 of *Hansard*. The Leader of the Opposition said this:

> I said, of course, that if there is a dispute between the governor of the Bank of Canada and the government, the governor should resign. I said that in the House of Commons at a time when the minister was defending the governor against that kind of action. Then the next question was:

This, by the way, was in the television broadcast:

> "Do you think he should resign now?"
> My answer was this:
> "I say his usefulness is over as governor."

Then the Leader of the Opposition continued:

> Of course that is true, Mr. Speaker. His usefulness has been destroyed by the government.

Mr. Pearson: Read on.

Mr. Macdonnell: I will, if the Leader of the Opposition wishes. He then said:

> Then I went on:
> "But Mr. Coyne apparently is determined to defend himself against certain charges which he believes reflect on his integrity."

Does the Leader of the Opposition wish me to read further?

Mr. Pearson: And he was therefore entitled to appear before a committee.

Mr. Macdonnell: The Leader of the Opposition continued in the television broadcast:

> "And that is why surely Mr. Coyne should have his day in court—"

Some hon. Members: Hear, hear.

Mr. Macdonnell: I do not want the Leader of the Opposition to feel that I was not going to deal with that question. I was, and I am. The quotation continues:

> "—should have his day in court, and by in court I don't mean issuing statements which he feels are necessary because he isn't permitted to appear before a committee—and he states in one of his statements that he hasn't been allowed to appear before the banking and commerce committee to discuss the Bank of Canada report for four years."

There might be two reasons why he should appear before a committee. One would be, if it was sought to contend that the governor of the bank should not be relieved of his duties. I have disposed of that to my satisfaction. Second, that the governor should be allowed to defend aspersions on his character. That is covered by the words of the Leader of the Opposition which I have just read. On that my answer is this. I consider that the Minister of Finance, in most difficult circumstances, conducted himself with great restraint; that his criticisms of Mr. Coyne were not criticisms of character but were criticisms of judgment. He criticized certain things which Mr. Coyne has done, things which I too would criticize. But as to Mr. Coyne's character, as to his truthfulness, as to his honour in business affairs, as to any other quality which we usually consider as entering into the element of character, the Minister of Finance has studiously refrained from making any criticism.

I maintain there is no substantial difference between us on the issue of whether or not Mr. Coyne should be removed. The Leader of the Opposition has left us in no doubt about that, and it has not been advanced as one of the reasons why the house should support this

amendment. As to Mr. Coyne appearing before the committee to defend his character, I have answered that point to the best of my capacity.

Furthermore, it seems to me that this country has had enough of Mr. Coyne. We have had statement piled upon statement, press interview piled upon press interview, on and on and on. If any man ever had his case placed before the public I would say it is Mr. Coyne. For these two reasons I shall vote against the amendment.

The house divided on the amendment (Mr. Pearson) which was negatived on the following division:

YEAS

Messrs:

Badanai	Leduc
Batten	Lessard
Benidickson	Loiselle
Boulanger	McIlraith
Bourque	McWilliam
Chevrier	Martin (Essex East)
Clermont	Martin (Timmins)
Denis	Matheson
Deschatelets	Meunier
Dumas	Mitchell
Eudes	Pearson
Fisher	Peters
Forgie	Pickersgill
Garland	Pitman
Granger	Regier
Habel	Robichaud
Hellyer	Tucker
Herridge	Winch—37.
LaMarsh, Miss	

NAYS

Messrs:

Aiken	Danforth
Aitken, Miss	Diefenbaker
Allmark	Dorion
Balcer	Doucett
Baldwin	Drouin
Barrington	Dubois
Beech	English
Bell (Carleton)	Fairclough, Mrs.
Belzile	Fane
Best	Fleming (Eglinton)
Bigg	Fleming (Okanagan-Revelstoke)
Bissonnette	Flemming (Royal)
Bourbonnais	Forbes
Broome	Fournier
Browne (St. John's West)	Gillet
Browne (Vancouver-Kingsway)	Grafftey
Brunsden	Green
Campbell (Lambton-Kent)	Grenier
Campeau	Grills
Cardiff	Gundlock
Casselman, Mrs.	Hales
Cathers	Halpenny
Chambers	Hamilton (Notre Dame de Grace)
Charlton	Hamilton (Qu'Appelle)
Chatterton	Hanbidge
Churchill	Harkness
Clancy	Hicks
Coates	Hodgson
Comtois	Horner (The Battlefords)
Cooper	Howe
Crouse	Johnson
Jones	O'Leary
Jorgenson	Pallett
Keays	Parizeau
Kennedy	Pascoe
Kindt	Paul
Knowles	Phillips
Korchinski	Pigeon
Lafreniere	Pratt
Lahaye	Rapp
Lambert	Regnier
Lennard	Ricard
Macdonald, Mrs.	Richard (Kamouraska)
Macdonnell	Rogers
MacLean (Queens)	Rompre
Macquarrie	Rynard
MacRae	Skoreyko
McBain	Small
McFarlane	Smith (Lincoln)
McGee	Smith (Simcoe North)
McGrath	Smith (Winnipeg North)
McIntosh	Southam
McPhillips	Speakman
McQuillan	Spencer
Martineau	Starr
Martini	Stearns
Matthews	Stefanson
Milligan	Stewart
Monteith (Perth)	Tassé
Montgomery	Thomas
More	Tremblay
Morissette	Valade
Morton	Villeneuve
Muir (Cape Breton North and Victoria)	Walker
	Webb
Muir (Lisgar)	Webster
Nasserden	Weichel
Nesbitt	White
Noble	Winkler
Nugent	Woolliams
O'Hurley	Wratten—141.

Mr. Speaker: I declare the amendment lost. The question is on the main motion.

Some hon. Members: One o'clock.

At one o'clock the house took recess.

AFTER RECESS

The house resumed at 2.30 p.m.

Hon. Lionel Chevrier (Laurier): Mr. Speaker, the issue which is now before the house is a simple one. We are being asked to remove from office one of the half dozen or so public servants in this country who previous parliaments decided should hold office for a term of years during good behaviour. In other words these public servants were not to be removable by the government but only by parliament, and only after misbehaviour had been proven. On June 14, at page 6334 of *Hansard*, the Leader of the Opposition, recognizing this point, is reported as saying:

> The issue before us, Mr. Speaker, is very important but a very simple one. If the government ask parliament to remove the governor of the Bank of Canada because the governor has in fact prevented them from implementing their monetary and financial policies, and if that can be established through a parliamentary inquiry, then, of course,

we on this side would support his removal. That has been the relationship we have put forward all along and we would support it now. That has been the relationship, that has been the doctrine which has been opposed by the government.

The Leader of the Opposition repeated this position when he spoke on second reading of the bill. I should like to put on the record his words which are to be found at page 7054 of *Hansard* for June 26 of this year. They are as follows:

If the government were convinced that the governor of the bank was really obstructing government policies—and they claim to be convinced now; it is a kind of *ex post facto* conversion or conviction—parliament, as I have said, should have been fully informed, but it was not informed, and the governor of the Bank of Canada as head of an institution responsible to parliament, should have been given a full opportunity to explain his position and defend it. If he could not or would not explain his position and defend it satisfactorily, then and only then parliament should act.

This, sir, is exactly the position which was taken by a distinguished parliamentarian in this house on August 11, 1956. I should like to put his words on *Hansard*. They are to be found at page 7458 of *Hansard* of that date, and I quote:

This parliament, surely, is a court of appeal with respect to any matter, any problem, that lies within the whole scope of federal jurisdiction in this country. Any problem that arises surely ought to be able to find its way for discussion at some time or another on to the floor of the House of Commons. And for my part, Mr. Chairman, I reject completely the doctrine that the Prime Minister enunciated yesterday that parliament has no right to sit as a court of appeal when objection is taken to the exercise by the Bank of Canada of its powers in any particular way. If Canadians feel that those powers have been exercised in any way that they disapprove of, then, surely, this parliament is the forum before which they ought to be able to bring their complaints.

The distinguished parliamentarian who uttered those words was none other than the hon. member for Eglinton, now the Minister of Finance. Far from recognizing that parliament is a court of appeal, as he said it was in 1956, the minister now refuses any information to parliament except that which he gives himself.

In what the minister has told us he has given no evidence whatever of misbehaviour in the legal sense of the term. Surely there is an obligation, there is an onus which lies on the government and on the minister to disprove the statements that have been made. There is an onus on the government to establish misbehaviour. The minister has not stated one single instance, with the possible exception of some unexplained incident in 1957, when the governor of the Bank has failed to perform the duties entrusted to him by parliament, or when he has thwarted government policy.

The minister has indicated that he did not like some of the speeches which were made by Mr. Coyne. None the less he defended Mr. Coyne's right to make those speeches as late as February of this year. What is more, once he spoke to Mr. Coyne about the speeches, Mr. Coyne ceased immediately to make them.

Then the minister said, in a statement that the house has heard, that Mr. Coyne did not possess the confidence of financial institutions by and large. Apparently, he meant the chartered banks of this country. Perhaps the minister thinks the government is responsible to the chartered banks, but we think the minister is responsible to parliament. This parliament has the right to know whether the minister was yielding to pressure from the chartered banks.

These are the questions that parliament, as the court of appeal to which the Minister of Finance referred in 1956, should be allowed to decide after hearing all the evidence. But the minister, who is the accuser, makes himself the court of appeal, and parliament is left to be the executioner.

What is a court of appeal? A court of appeal is one that has all of the evidence before it, the evidence on both sides. A court of appeal is one that hears all the arguments through counsel. A court of appeal is one that has the benefit of the parties appearing before it. If parliament is to be a court of appeal, then parliament is lacking those ingredients which make it a court of appeal. The minister said also that parliament was to be a forum. Where is the forum in this case? Where are the parties who are entitled to be heard? We have heard from but one of these parties.

Then sir, as has already been said but bears repetition, what of the bill of rights? What of the bill of rights that was passed by this government and about which so much has been said concerning the recognition and protection of human rights and fundamental freedoms? Section 2 of that bill reads in part as follows:

—no law of Canada shall be construed or applied so as to . . .

(e) deprive a person of the right to a fair hearing in accordance with the principles of fundamental justice for the determination of his rights and obligations;

I read that section for a purpose. Why did I read it? I read it because under the Bank of Canada Act Mr. Coyne has the right to remain as governor of the bank for a period of seven years unless the government can establish misbehaviour before this high court of parliament, which the minister called a court of appeal, a forum in which all persons have a right to be heard. Mr. Coyne, in the words of the bill of rights, has asked parliament for a fair hearing in accordance with the

principles of fundamental justice for the determination of his rights and obligations. The government headed by the Prime Minister, who is the author of the bill of rights, is asking parliament now to deny him that hearing, and in defiance of the bill of rights to condemn him unheard.

(Translation):

Hon. Noel Dorion (Secretary of State): Mr. Speaker, the problem now before the house, stripped of all rhetoric of which, it seems to me, there has been an abundant use, amounts to nothing much after all. It is by reverting to its basic principle that one can determine specifically and objectively what should be the stand taken by the house.

The purpose of the act we are called upon to pass is simply to provide that the office of the governor of the Bank of Canada shall be deemed to have become vacant.

What are the inherent responsibilities of that office and, consequently, what were the duties of the incumbent up to now?

I feel that the first question that should come to our mind is the following: Is the government justified or not in demanding that the monetary policy be subordinate to its economic and fiscal policy?

In my opinion, that is beyond all question. First of all, for a reason of principle that, I think, should be the basis of all discussion and on which everybody seems to agree, namely the sovereignty of parliament.

The government is formed by the parliamentary majority which, in its turn, is elected by the people it represents. Contrary to what has been said, the governor of the Bank of Canada, on the other hand, is an official. Section 7 states:

—is the chief executive officer.

The governor of the Bank of Canada is elected by the directors who are appointed by the governor in council for a term of three years. The election of the governor, whose term of office is seven years, must also be approved by the governor in council. The deputy minister of finance is ex officio a member of the executive committee and of the board of directors but he does not have the right to vote.

The governor of the bank has the power to veto any decision taken by the executive committee or the board of directors but his veto can be disallowed by the governor in council.

What inference should be drawn from the facts recalled and which are the very spirit of this act called the Bank of Canada Act. The inference is, contrary to what we have heard during this debate, that the governor of the Bank of Canada, as far as his appointment is concerned, as far as his actions and the decisions he is called upon to make within the two boards he presides are concerned, is responsible to the governor in council for all activities within the limits of the powers invested in him.

The fact that the government appoints the directors and, through them, the governor, who is an official, the fact that the deputy minister of finance is a full member of the executive committee as well as of the board of directors, the fact that the governor's veto is subordinate to the approval of the governor in council, all those are legal factors which show that the government has authority over the Bank of Canada and its governor.

This authority should not only be a word; it implies that the government has the duty to define its fiscal and economic policy and that the monetary policy for which the governor is responsible is a consequence of the first and should be subordinate to it.

This is the basic principle neglected by Mr. Coyne, the one he discarded two or three years ago, and this is why of his own free will he has put himself in the position of an outlaw. Finally this is the basic reason why this bill, simple as it is—though full of consequence—should be adopted by the house without hesitation.

Besides, this is in my opinion the principle behind the establishment of that institution, and here I refer to the report of the royal commission following which the Bank of Canada was created, and also to the views expressed by the representatives of the three groups in the House of Commons at that time, in 1934.

First of all, the commission, in its report of 1933, page 63, stipulated as follows:

It is rather easy to expect too much or too little from the operation of a central bank, which is both an instrument and a force.

As an instrument, it enables the government, with whom supreme authority with regard to money matters necessarily rests, to follow a national policy.

As an authority, the central bank has certain powers which it may use to attain the aims of a national policy.

In other words, the monetary policy of the Bank of Canada must be subordinate to the national policy for which the government is responsible both to parliament and to the people.

Some hon. Members: Hear, hear.

Mr. Dorion: If my learned friends in the opposition understand what I just said, and what the report provides for, I should congratulate them, trusting that they will immediately vote for the bill introduced by the Minister of Finance.

I continue reading from the report:

Of course, the bank should work in close co-operation with the government in all matters concerning the external value of this country's currency, and with regard to the administration of a national policy in this field, the bank should have the government's backing for its foreign exchange operations.

And what were the reactions of hon. members who examined the bank's plan?

(Text):

Mr. Benidickson: Now we are coming to something.

(Translation):

Mr. Dorion: Mr. Speaker, I shall give only a few quotations in order to prove beyond doubt that all parties in the house at that time expressed the unanimous opinion that the purpose of that legislation was to subordinate the monetary policy of the Bank of Canada to the economic and fiscal policies of the government itself.

First of all, let us consider the views of Mr. Woodsworth who has here a certain number of spiritual sons who have made lengthy and, in my opinion, amazing statements on this problem. As reported in *Hansard* of March 9, 1934 Mr. Woodsworth stated the following:

It would be an impossible situation if the authority of the governor of the bank were to be superior to that of the government of this country.

Mr. Martin (Essex East): Hear, hear.

Mr. Dorion: And Mr. Woodsworth went on to say:

We in this corner—and I hope we shall be joined by at least some members of the Liberal party—

I wonder whether he was a prophet, in view of the situation developing today and indicating that the Liberal party will join the C.C.F. party.

—would like to provide that when there is a clash, the government must have the last word because in the long run the government is responsible to the people. It may very well be that sometimes democracy may make mistakes in its decisions—

And Mr. Woodsworth added:

—but that is the only way in which higher levels can be attained.

What is the view expressed by Mr. Mackenzie King on June 21, 1934? This is what he said then:

You will almost certainly, sooner or later, have a conflict between financial and fiscal policies, the former in the control of private interests, the latter in the control of the government. If there is a conflict anywhere, my feeling is that the view that ought to prevail is the view of the administration of the day, not the view of any institution privately owned and controlled.

In other words, Mackenzie King recognized the supremacy of government and parliament over the decisions of the governor of the Bank of Canada—

Some hon. Members: Hear, hear.

(Text):

Mr. Benidickson: And the present Minister of Finance has said the opposite for four years.

(Translation):

Mr. Dorion: Now, Mr. Speaker, this basic principle is essential to the efficiency of a healthy democracy. Mr. Coyne has scoffed at it with an impudence which borders on insubordination and which can only lead to anarchy.

Consequently, in view of the principles on which the Bank of Canada has been founded, of the spirit which inspired the adoption of that act, of the statements made by all party leaders, the government has no alternative today, in the face of such antagonism between Mr. Coyne's monetary policy and the government's economic and fiscal policy, but to cause the removal of Mr. Coyne from his present office.

Mr. Martin (Essex East): You are perfectly right, that has always been our attitude.

Mr. Dorion: Then what is the purpose of this debate? If that is what you want, why should we waste hours debating this question? What is your position? Do you accept the principles we have just set forth and which are the very principles of this bill we are asking you to approve today?

Mr. Martin (Essex East): That is not the stand taken by the Minister of Finance.

Mr. Grafftey: They blow hot and cold at the same time.

Mr. Dorion: Mr. Speaker, the hon. member says that it is not the stand taken by the Minister of Finance. It was most interesting to read over—it is always pleasant to hear the hon. member for Essex East (Mr. Martin) —the remarks he and his leader made in the house last March. They both agreed that there was a discrepancy between the Minister of Finance's policy and Mr. Coyne's monetary policy. I have here statements which were made in that connection.

First of all, the representative of the C.C.F. party, the hon. member for Skeena (Mr. Howard) made the following statement which I find on page 3246 of *Hansard* of March 22, 1961:

However, we do know that ever since this government took office there has been a growing conflict between the governor of the Bank of Canada, the Minister of Finance and government policy generally.

A little further, he went on as follows:

We know there is conflict between the governor of the Bank of Canada and the Minister of Finance

about what should be done, one taking a course of action that is in reality critical of the government in office and the other, namely the Minister of Finance, sitting idly by—

Well, that such a disagreement exists has been recognized by both opposition parties. Yet today they would like to have maintained in his position a man who, on their own admission, constitutes an obstacle to the expansionist policy of the government, an obstacle to measures passed by this parliament, which are likely to be opposed by Mr. Coyne's opinion, attitude and philosophy.

Is there not but one possible solution—to have Mr. Coyne replaced by a person prepared to obey the law, to respect the spirit of the law; a person who would understand that his duty is to act according to policy and not make policy, because policy belongs to the people and to their representatives. It is up to them to define and defend policy in this house and to ensure that it is implemented.

Let us see what the Leader of the Opposition had to say on March 22, 1961.

It will be no surprise to the committee, Mr. Chairman, when I say that we feel that in this field of monetary policy there has been a shocking lack of co-ordination between the government and the Bank of Canada, the bank which is responsible for action in the monetary field, though in our view the government itself must remain responsible ultimately for the policies within which action is taken.

And he added:

Of course, Mr. Chairman, the minister is correct in saying that their policies should be parallel and harmonious; and surely it is the responsibility of any government to take steps to ensure, by accepting responsibility for policy, that these policies are parallel and harmonious.

Well, what are we doing now? Opposition members do admit that there is a difference, a basic difference. On their own admission, it is up to the government to see to it that fiscal and monetary policies are parallel and harmonious. And, while we want to push aside the obstacle standing in the way, while we want to clear the road to allow for this co-operation requested by the opposition, at that very moment hon. gentlemen opposite say: No. Stop it. You cannot do that. On the one hand, you are duty bound to make sure that the way is clear and on the other hand we shall prevent your blocking our own policies.

Such is the kind of consistency we find.

We have been asked: "But why not let Mr. Coyne be heard?"

[Mr. Dorion.]

Who has not heard him in the last two years? Not only have we heard him, not only has he indulged his volubility, not only has he made his views known—had he been content with expressing his views on matters pertaining to his duties or to monetary policy, perhaps he should not be criticized—but, according to the well known expression, he laid down the law for the king, he placed himself above the king. He is above parliament. In his speeches, he kept making statements on matters of fiscal and financial policies which are the sole responsibility of parliament and the government. A person of the type of Mr. Coyne should not be substituted for them until such day as we are ready to accept the financial dictatorship of the Bank of Canada. And that day is far away, thank God.

He was heard particularly in the other place. We have their report from which I will now quote the following excerpt:

(Text):

With regard to the role of monetary and fiscal policy, attention must be directed to an important weakness which has developed in this country. There has been a serious lack of co-ordination between those two powerful instruments of economic policy. This lack of co-ordination has made it much more difficult, if not impossible, to influence the movement of interest rates, exchange rates, money supply and capital flows in the directions which help to maintain high levels of employment and production and the resultant impact on the economy are hard to reconcile with an effective use of integrated monetary and fiscal policies. There have been needless divergencies and uncertainties. The idea that monetary and fiscal policies are differently determined and can be independently pursued is incompatible with the realities of a highly complex money and exchange economy in which the operations of government play so large a role.

(Translation):

In other words, here is an admission—not an admission but rather a report made after that witness, whose evidence was requested here, had appeared there and expressed his views.

What was the result? The conclusion was drawn that there was profound disagreement. Who is responsible for that disagreement? Who should dictate Canada's policy? Who are those who have been elected by the people to define this country's policy? Is it Mr. Coyne or the government now at the head of this country? If there was disagreement and if such disagreement had to disappear, well, it was up to that official, who stood in the way of any reconciliation of the policies, to leave of his own will, without waiting until we had to resort to this legislation, which is the only logical, reasonable and unavoidable remedy at this government's disposal.

Besides, Mr. Coyne said so himself before the committee on banking and commerce, in 1956, and his evidence is quoted in the *Globe and Mail* of June 28, 1961:

(Text):

If the government of the day were sufficiently displeased with the bank or the management of the bank they could put in motion steps which would bring about a change in management. At some stage in that process, if the government were so determined as to make a real issue of it, a public issue presumably, the governor would have to resign.

(Translation):

Those were his own words. He saw at that time where his duty lay, what were the duties of his office. He knew he should not assume responsibilities beyond his own jurisdiction and he said: "The government could put in motion steps which would bring about a change in management if management opposes the government's policies." More than that, he admitted that, under such circumstances, the governor should resign.

Why does he not resign? Why?

These are strange coincidences, and I would give as an example that letter of Mr. Coyne dated June 26, 1961, released at the very moment an amendment was moved here to have Mr. Coyne heard by a parliamentary committee, when all the factors required for a judgment had already been gathered, when my hon. friends opposite had made the pronouncement that there was disharmony. They had pronounced judgment as far back as last March and they wanted afterwards to argue the case. Such was the ridiculous and inconsistent position in which they put themselves.

At the very moment that amendment was moved, the same day, practically at the same time, Mr. Coyne was writing a letter, which showed his state of mind and which by another strange coincidence came to the same conclusions as the amendment moved by the Leader of the Opposition. A strange coincidence indeed.

An hon. Member: Shame.

Mr. Dorion: I am not used to judging things on coincidences only. But we might be about to prove that perhaps there was more than just a coincidence there.

In any case, what did that letter say? I quote the last paragraph of the first page.

(Text):

The point which I am concerned to bring before public opinion—

(Translation):

You will see what kind of an inquiry was intended, whether it was an inquiry to further the business of government or of parliament, or whether it was a forum to be put at the disposal of Mr. Coyne, who far from being the accused, as some contended, far from relying on the bill of rights, would have become the accuser against the Minister of Finance (Mr. Fleming) and parliament itself.

(Text):

The point which I am concerned to bring before public opinion, and which you, Mr. Fleming, and the government are trying to prevent me from bringing before a parliamentary committee is that the position of the governor of Canada's central bank will be destroyed and the whole institution will become merely an arm of a political machine if the governor is to be terrorized into resigning whenever the government of the day wants him to, without any issue of policy being raised—

(Translation):

Which is in direct contradiction with what my hon. friends opposite had to say in their remarks.

(Text):

—without the government stating its monetary policy in parliament or elsewhere, and without the government accepting responsibility for monetary policy.

(Translation):

And further on:

(Text):

The fact that the government has not yet accepted its proper responsibility but has sought and is still seeking merely to dominate the governor, both the present governor and, by implication, and precedent, all future governors, too,—

(Translation):

That gentleman is rich in virtuality. He stands, not only for the present governor but also for the past and the future governors until the end of time. He bears the cross of all those people. What a martyr.

(Text):

—makes it important that there be a searching inquiry into the facts underlying the present situation and the true motives of you, Mr. Fleming, and the government.

(Translation):

Since when does one have the right to question the motives underlying government policy? Yet, that is the opportunity our friends opposite wished to give him, that is to question the government.

Is that monetary policy? Is that the machinery he gave that institution? Is that working and talking within the limits of his administrative capacity as set out and defined by the act?

Well, to accuse the Minister of Finance, they would use the bill of rights, not for the protection of the accused but in favour of the accuser. That is the meaning of what was said.

(Text):

The sudden and unexplained demand for my resignation on May 30, the appearance of haste and urgency, and the blackmailing tactics used—

Governor of Bank of Canada

(Translation):

What fine language for a public servant.

(Text):

—suggested that the present government had a plan—

(Translation):

And a public servant prepared to co-operate at that.

(Text):

—to call a snap election, without a budget, or perhaps immediately after the budget speech was made, and subvert the Bank of Canada under a new governor of their own choosing to assist them in financing expenditures and programs not authorized by parliament.

(Translation):

Countless and groundless charges, without verbal or written evidence, and without proofs by witnesses.

(Text):

I was warned about this danger by a man—

(Translation):

Here is something interesting.

(Text):

—whose opinions I value and who said in such circumstances the governor of the bank would have a duty not to resign.

(Translation):

Since when may the governor of the Bank of Canada, whose powers, responsibilities and rights are defined by statute, since when may an executive officer, as he is defined in the act, who is bound by his oath and is surrounded by a board of directors and an executive committee, who moreover is bound to some extent to the Minister of Finance since the deputy minister has deliberative voice with both the board of directors and the executive committee, since when may this gentleman wave aside the advisers given to him by the law, the people the government has regularly appointed and who, under the act, have legal powers of consultation and direction? Since when does he have the right to turn away from them to go and consult a very dear friend, who, by the way, did him a great disservice by suggesting to him the policy he has followed?

Moreover those advisers provided by the act, those directors, are appointed for three years and, incidentally, I read in one of Mr. Coyne's speeches or letters that he got exercised over the fact that new directors had been appointed by this government.

What was wrong with replacing their predecessors when their term of office expired? It is the law. It is authorized by the act and because we implemented the act, because, pursuant to that act, we appointed directors we had the right to appoint, here is a man who protests because we caused him to lose his friends, the former directors who surrounded him and who cultivated that spirit of dictatorship and tyranny which characterizes his letters and his attitudes.

Now, those directors, who are empowered to act, who sit on the board of directors, who have duties to perform, have also told him: "Sir, you must resign".

What does he do? He remains there. He clings to a course of action that constitutes an obstacle to the pursuit of government policy. What is more, he is sowing distrust; by his action, by the stand he is taking, he is sowing the seeds of distrust, he is setting up around the Bank of Canada a wall of distrust which, if this situation is allowed to drag on indefinitely, might be seriously detrimental to that institution.

That is how this man is setting personal interest above public interest. And yet he is relatively well paid to look after public interest.

So, Mr. Speaker, this is the situation in which we find ourselves today. Before closing my remarks, I should simply like to quote an opinion which I think sums up all the others. I should like to refer to an article which appeared three or four days ago in *Le Devoir*, over the signature of its editor, Mr. Filion, who said in substance: "In the face of the situation in which he finds himself, the only course open to Mr. Coyne is to resign."

For, after all, Mr. Coyne should remember that later on he will not be the one who will have to justify his stand before the people, and to answer for the policies of this government; that will be a responsibility of this government. He has absolutely no responsibility before the people, and yet he would have liked to be heard, yes, and to what purpose? Not to defend himself, as you can see, but to make charges and then attempt to justify these charges. Such is not, thank goodness, the purport of the bill of rights. It is just the reverse, and that is why we could not accept the suggestion put forward by hon. members opposite.

Mr. Speaker, in closing, I say we have here the case of an administrative officer who, for two years, has been advocating fiscal policy, economic policy, financial policy, to the point where one of the documents which he forwarded to us was described even by opposition members, as "the Coyne budget". Can there be any more palpable or concrete evidence of the fact that we are dealing with a man who, constantly overstepping the duties and limitations ascribed to him by law, has endeavoured to lecture the government, to oppose its policies and, in the exercise of his monetary policy, to impede the development programs and the economic and fiscal policy of this government.

Mr. Speaker, is parliament to be denied its own rights and prerogatives which, by the way, are always so eloquently set forth by the hon. member for Essex East (Mr. Martin) —incidentally, let me say here that I always enjoy listening to him, and he is at his best when reciting the great principles which are the basis of that democracy in which we all share. Well then, I say to him that it is precisely because of those principles, because of the supremacy that the government must enjoy, and of the fact that it will have to give an account of its stewardship to the people of Canada, that a public servant must not exceed his duties, must remain at his assigned station in the hierarchy of administrative functions, and that as soon as he oversteps those bounds and ventures into the field of politics, not only does he violate the obligations he has assumed by reason of his oath, but he acts counter to those fundamental principles that were so eloquently expounded by the hon. member.

That is the reason why this bill is before us. It has been introduced because we want order restored in the household, because we want everybody in his proper place, and because we want no obstacle to stand in the way of the policy for which the government is accountable and which the government wants to translate into action not only through its legislation but by the practical application of that legislation. This is something that requires the unreserved assistance of the country's monetary policy. That is why I feel that the house should, of common accord, support the legislation that is now before us.

Some hon. Members: Hear, hear.

(Text):

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I used to be told by my father that it was a good thing always to make a noise in the woods if you wanted to keep up your courage. When I was listening to the very interesting and eloquent address delivered by the Secretary of State—

An hon. Member: You lost your courage.

Mr. Herridge: —my mind started to drift back to years ago. I remember very well indeed listening to the late Premier Maurice Duplessis in the other place at the dominion-provincial conference of 1945. While I was sitting here listening to the minister I thought, how similar is the voice, how alike is the manner. I think I must congratulate him. His fervour was equal. His style, logic and form of debate were identical.

Other members of our group have placed our position fully before the house with respect to this bill and all the circumstances surrounding it, but the curtain of silence is soon to be lowered on this unprecedented parliamentary drama. I say "drama", Mr. Speaker, because wherever you get a clash of personalities such as we have between the Minister of Finance and the governor of the Bank of Canada, where you have a clash with respect to a conception of principles that exists between the government and the opposition, you have all the ingredients and setting for a drama. That is why I say this has been an unprecedented parliamentary drama.

I wish to briefly explain and review the position of this party in view of the vote that will be taken, I presume, in a few minutes. First of all I must say that we in this group sincerely regret this unseemly development in the public life of Canada which may damage future relations among parliaments and governments and government agencies. This is an unprecedented situation, and I am sure that any fair person who has read the newspapers, who has received correspondence from the type of individual who is concerned about this kind of development, will realize that it has caused serious and obvious concern to the country and may cause damage to our institutions in the future.

Second, we believe that principles have been violated and that the house, as has been stated so well by the Leader of the Opposition, the hon. member for Laurier and other speakers, should have had the opportunity to know all the facts before being called upon to make a decision by voting on this legislation. That opportunity has been denied by the government.

Mr. Brunsden: Oh, fiddlesticks.

Mr. Herridge: That opportunity has been denied by the government because it has refused to refer this bill to the banking and commerce committee and give that committee the opportunity of hearing Mr. Coyne and any other witnesses it might wish to call before it. We in this group believe it is impossible to know all the facts and circumstances surrounding this unfortunate development without hearing all sides of the question.

Mr. Brunsden: Where have you been for the last two weeks?

Mr. Herridge: The refusal of the government to allow this bill to be sent to the banking and commerce committee is without precedent.

Mr. Speaker: Order. I think the hon. member will agree with me that the house disposed of the question of sending the subject matter of the bill to the banking and commerce committee, and I would hope that the hon. member would not refer to that specific proposal again.

Mr. Herridge: Mr. Speaker, I have just disposed of it also. Third, we believe that the

principles of justice and fair play were violated by the government's action and that the government's action to some extent has undermined the very foundations of the bill of human rights and fundamental freedoms, by its denial to a Canadian of a hearing before he is sentenced by the passage of this legislation. We think that is fundamental.

While this group does not agree with all of Mr. Coyne's views, we have a high respect for Mr. Coyne as a public servant of apparently strong convictions and considerable strength of character who has been willing to sacrifice his personal interests to advance views that he regards as being in the interests of the country. Mr. Coyne has taken the hard path instead of the easy path. The easy path would have been for Mr. Coyne to agree with the government, to have been putty in the hands of the Minister of Finance, and thus avoided this unfortunate incident.

Because of the circumstances surrounding this situation, because of the violation of the principles I have mentioned, and to indicate our belief in and support for those principles which have been violated by the introduction of this bill and the procedure on the part of the government respecting it, we in this group intend to vote against the measure.

Hon. Paul Martin (Essex East): Mr. Speaker, I agree with the Secretary of State that there can be no doubt about the final jurisdiction of this parliament in all matters that come within its authority under section 91 of the British North America Act. That is not the issue before us.

The governor of the Bank of Canada has been the object of considerable criticism from a number of us in the Liberal party during the course of the last two years. No one has been more critical of some of his policies and some of his attitudes than the Leader of the Opposition. As the Minister of Finance recalled the other day, the governor of the Bank of Canada went to him and complained about the way I had dealt with him in the industrial relations committee when I questioned his conduct regarding the operations of the investment committee of the unemployment insurance commission. It will be recalled that in the month of March, at a time when the Minister of Finance did not take issue, I criticized the governor of the Bank of Canada for making public declarations outside of the monetary policy field in a manner that suggested that there were differences between the government and the governor of the Bank of Canada. There was never any suggestion by the Minister of Finance that there was any difference between the governor of the Bank of Canada and the government of Canada along the lines I had suggested. As a matter of fact, on February 21, with regard to speeches made by the governor of the Bank of Canada in fields outside of monetary policy, the Minister of Finance said, as reported at page 2258 of *Hansard* for February 21, 1961:

> Mr. Speaker, may I say that I have no right of censorship over the speeches of the governor of the Bank of Canada. He does not refer them to me. Why should he do so? This is a free country. He makes his own speeches and chooses his own themes. I read these speeches afterwards as does the Leader of the Opposition. It is sometimes forgotten by hon. members opposite that this is a free country.

I ask, by way of parenthesis, whether or not this government has forgotten that this is a free country. The Minister of Finance then went on to say:

> I trust that I am not to be held responsible for what may be said by the governor of the Bank of Canada when he exercises his right as a citizen to make speeches.

We took issue with that position. We quarrelled with that position, and said that there could not be two sovereignties in this country. Yet the Minister of Finance, up until a few weeks ago only, at no time remonstrated against the right of the governor of the bank publicly to take issue on matters of government policy in areas where this parliament has not given him primary and exclusive authority. We do not stand as protagonists of the governor of the Bank of Canada.

Some hon. Members: Oh, no?

Mr. Martin (Essex East): We would like to find out the reasons for some of these speeches. We would like to find out also what went on between the Minister of Finance and the governor of the Bank of Canada regarding other matters not touched upon or disclosed in those speeches. We would like to find out what relationship has prevailed in latter days between the directors of the bank and the Minister of Finance. We would like to have from him, in committee where we can cross-examine him as is our right, a statement concerning the propriety of intervening in matters relating to the bank through the intervention of government appointed directors, amongst whom is a former Conservative candidate. These are the things we would like to examine in regard to this matter.

Our attitude toward this bill of attainder—and that is all it is, this bill that recognizes the very opposite that is implicit in the rule of law, in the due process concept in the bill of rights—is that it is a bill we shall vote against for the reasons I am going to explain. The usefulness of the governor of the Bank of Canada has been destroyed by the acts of this government. This is clear. The issue now before us is not whether the governor shall continue in office; that has been established

clearly. The issue is whether he is to be denied the opportunity of acquainting this parliament, through one of its proper instruments, a committee, with his side of the dispute. The issue is whether this parliament is to be denied the opportunity of sifting the facts in a matter so vital to Canada's financial integrity.

It is because in this bill before us, Mr. Speaker, we have a violation of the spirit and letter of the bill of rights that we shall vote against this bill and not because we do not recognize the fact that the Minister of Finance and his colleagues in the government of this country have destroyed the usefulness of the governor of the bank. I would ask the Prime Minister who was not here during the full discussion of this bill, to recall his words last July 1 when the bill of rights was introduced into this house. He said, among other things, that no one shall be denied the right of a fair hearing in accordance with the principles of justice. I ask this house not to forget the words of Professor Scott who, before the bill of rights committee, said that the right to be heard is a principle of natural justice. The right not to be judged by someone who is biased in this case is a principle of natural justice.

We do not deny the right of the Minister of Finance to put forward his side of the case, but we do deny to the Minister of Finance the right to put forward not only his side of the case but that of the man he is accusing, the governor of the Bank of Canada. We want to examine the governor of the Bank of Canada, the Minister of Finance and the directors of the bank so we can find out the particulars of the pension arrangements made for the governor, made by a board of directors the majority of whom are appointees of this government and supporters of this government. We want to know the circumstances because we have grave doubts about certain aspects of that pension and we have not had from the Minister of Finance anything that would satisfy our curiosity in this regard. We are to be denied that right, however, because this Minister of Finance, supporting a government that proposed the bill of rights, says the way justice is to be meted out is by listening to the case of the prosecutor, listening to the prosecutor give the evidence for the accused, and then for the same prosecutor to give final judgement. I would remind the Minister of Finance that justice must not only be done but it also must appear to be done.

Mr. Nugent: Would the hon. member permit a question?

Mr. Martin (Essex East): There are certain aspects of this problem that we must now examine in connection with this whole matter.

Mr. Nugent: Would the hon. member permit a question?

Mr. Martin (Essex East): We have not yet been given one serious reason why the Minister of Finance took the unprecedented step of asking the governor of the bank to resign on May 30. As I pointed out a moment ago, we were told on February 21 that the minister strongly supported the declared position of the governor of the Bank of Canada in those areas outside of the monetary field. There was therefore, no issue between February 21 last and May 30 of this year. We do know that there was no difference in monetary policy between the governor and the Minister of Finance for the simple reason that the Minister of Finance said this government took the position that under no circumstances could it in any way be held responsible for monetary policy. This field had been given exclusively to the governor of the Bank of Canada under the Bank of Canada Act.

However, today we have had an amazing display of cabinet solidarity. We heard the Secretary of State speaking on behalf of the government. I compliment him for the way in which he spoke, not for his arguments but for the form in which he expressed them. He expressed a doctrine with regard to the relationship of the government to the Bank of Canada in the monetary policy field for which we have been contending here all along. This was the position of former ministers of finance, Mr. Harris, Mr. Abbott, Mr. Dunning, Mr. Rhodes, of the former governor, Graham Towers, and the present governor of the Bank of Canada. I tell the Secretary of State that when he comes to read his speech he will find how he differs from the spokesman for the government, the Minister of Finance.

On February 1, 1960, the hon. member for Assiniboia (Mr. Argue) made these remarks on this very point as reported on page 550 of *Hansard* for that date:

> On this very point, would the minister not agree that the position taken by the governor of the Bank of Canada is diametrically opposed to the minister's own position?

The Minister of Finance said:

> That observation is, of course, just plain nonsense.

Mr. Speaker, I compare what the Secretary of State (Mr. Dorion) said this afternoon regarding bank monetary policy and the relation of that policy to the government with this declaration and with the repeated stand taken by the Minister of Finance.

On March 18 the minister met with the governor and, according to his own account, he met with him only to tell him that some of his cabinet colleagues did not like some of his speeches.

Mr. Fleming (Eglinton): That is not true.

Mr. Martin (Essex East): Not the Minister of Finance but some of his colleagues: the Prime Minister, I presume and I suppose the Minister of National Health and Welfare and maybe the Solicitor General.

Mr. Fleming (Eglinton): The hon. member is not telling the truth.

Mr. Martin (Essex East): Then the governor undertook not to make any more speeches in areas outside of monetary policy. When he went before the manpower committee of the Senate, and was asked for details about some of the proposals he had made in at least five speeches outside Ottawa, the governor refused to give them. We have since learned that the reason for that refusal was that he had indicated to the Minister of Finance, who asked him for the first time, that he would agree not to make speeches in these areas.

We are entitled also to inquire about the relations between the governor and the board of directors. According to the governor on March 20 last, two days after he had seen the Minister of Finance, he sought their advice. He sought to inquire whether or not he should resign as a result of the discussion he had had a few days previously with the Minister of Finance. On March 20 the directors unanimously said that his conduct was in harmony with their views and that he should not take any steps involving resignation.

Then we have this further evidence from Mr. Bryden, the close friend of the Minister of Finance, one of his political supporters, and of course a man of the greatest integrity—

Some hon. Members: Oh, oh.

Mr. Martin (Essex East): —who said in a statement to the press on June 15 that all during the time at least that he was a director the governor had his support and the confidence of the board. That was a statement made by Mr. Bryden on June 15. So according to the evidence we have before us with regard to this bill of attainder, the totalitarian technique, which denies an accused the right at least to be heard, we find that between April 4 and May 30 there was nothing to disturb the happy relationship that apparently existed between the governor and the board of directors of the Bank of Canada.

Mr. Fleming (Eglinton): That is not what the governor said.

Mr. Martin (Essex East): Then suddenly on May 30, without any warning, everything changed. The Minister of Finance by-passed the board of directors and resorted to the unprecedented step of calling in the governor and asking him to resign immediately and quietly. What authority did the Minister of Finance have for taking a step like that? What is there in the Bank of Canada Act that gives the Minister of Finance the right to impair the important position of managerial objectivity that the Bank of Canada must have in relation to matters that come within its authority?

We are certainly entitled to ask: Why did this happen? But the minister would have us believe that the one reason why this happened was that the minister was going to bring down the budget and that he would adopt policies which the governor would not accept, although we know that there are in that budget many things which along with the document of February 15 of this year shows clearly the influence of the governor of the Bank of Canada on the budget. We know that there was a huge deficit and that there were huge borrowing requirements. We know that in 1958 and in 1959 the governor of the Bank of Canada supported the Minister of Finance and did not register any strong opinion against these deficits. What reason was there for suspecting that the governor of the Bank of Canada would take a different position in 1961? As a matter of fact, we know that in 1960 the governor of the Bank of Canada increased the money supply by 16 per cent during the period of a few months. We know that he made every effort to support the bond conversion scheme of the Minister of Finance which is at the root of so much of the problem that has provoked this difference between the governor and the minister.

There is one vital mysterious element in this whole episode that we must examine. On May 15 the Minister of Finance met here in Ottawa with the presidents of the commercial banks or their representatives. This was almost two weeks before the minister asked the governor to resign. I ask the Minister of Finance—and this is the kind of question I should like to ask in detail in a committee—what went on at that meeting of May 15 in the minister's office. In order to understand what might have gone on, one should not forget the incidents in the fall of 1960 when the minister returned from England and then met his colleagues who had been working on their estimates. The minister found that his colleagues were embarking upon an expansionist program, that they had inflated their departmental estimates,—

Some hon. Members: Oh, oh.

Mr. Martin (Essex East): —and that they were embarking upon a spending program which did not meet the considered views of the Minister of Finance. What did the Minister of Finance do?

Mr. Bell (Carleton): This is so ridiculous.

Mr. Martin (Essex East): The parliamentary secretary says "This is so ridiculous". I am glad to know that he is a member of the cabinet and knows about all of these things. Not only did the minister find that his colleagues were embarking upon a spending program, but he found that the Prime Minister was in support of this spending program of his colleagues. The Minister of Finance then "laid it on the line."

Some hon. Members: Oh, oh.

Mr. Martin (Essex East): He threatened to resign.

Some hon. Members: Oh, oh.

Mr. Martin (Essex East): That is a well known fact. It is known in Ottawa, Toronto and all over this country. The Minister of Finance said, "I will not go for this spending program; and if this is going to be the policy of the government you had better get another minister of finance".

Some hon. Members: Oh, oh.

Mr. Fleming (Eglinton): Mr. Speaker, there is not a word of truth in that statement.

Mr. Benidickson: But he stayed on, although overruled.

Mr. Speaker: Order.

Mr. Martin (Essex East): And so, this being the case, the bankers of Canada—and one could name them—came to Ottawa and saw the Prime Minister. They had heard about this dispute between the Minister of Finance and some of his colleagues. They were opposed to a spending program and they wanted the Prime Minister to know that they proposed to take strong issue with any effort that would go contrary to the wishes and point of view of the Minister of Finance.

Mr. Diefenbaker: Mr. Speaker, I have listened—

Mr. Martin (Essex East): Is this a question?

Mr. Diefenbaker: I am rising on a question of privilege at this moment simply to say that the hon. gentleman must have secured his information from the informant of Mr. Coyne, who is wrong in every particular.

Mr. Martin (Essex East): The Prime Minister, of course, may make all the denials he wishes to make. I am stating these things. He can take the appropriate opportunity to deny them. I say that the bankers, friends of the Tory party, came down and asked the Prime Minister to support the position taken by the Minister of Finance. So when the Minister of Finance met these bankers on May 15 in his office in Ottawa, he was speaking to a group of men who had reason to place their confidence in the Minister of Finance, if not in the other members of the government of our country. Why did the Minister of Finance call these bankers together on May 15? They were called together so that the Minister of Finance could do this; and this is rumour and the Minister of Finance knows this is the case. This is not now only rumour, this is established fact.

Mr. Fleming (Eglinton): If so, it is not stated in the last ten minutes.

Mr. Martin (Essex East): The minister asked the banks to reduce their prime rate of interest. That was the first request made by the Minister of Finance to the bankers. Such a request amounted to asking the banks to reduce or to cut down their revenues. The bank presidents argued that they could not do this unless there was an expansion in the money supply. There could be no expansion of the money supply without the concurrence of the Bank of Canada. The minister left the bankers, the men with whom he has been consorting. He then took steps to bring about the opportunity for an increase in the money supply, by seeing to it that the wishes of the Prime Minister and others would be met in removing the present governor from the office of governor of the Bank of Canada. That, I say, is the real story behind this situation.

Mr. Fleming (Eglinton): The hon. member is off his rocker.

Mr. Martin (Essex East): My hon. friend may take issue with that but if he is so sure of his position let us go before the committee; let us find out.

Some hon. Members: Hear, hear.

Mr. Martin (Essex East): I suggest that we—

Mr. Speaker: Order. Is the hon. member rising on a point of order?

Mr. More: Yes, Mr. Speaker. The hon. gentleman who is speaking continually refers to a committee of the house. That matter has been settled and the hon. member is violating the rules of the house in referring to it now.

Mr. Martin (Essex East): I am not going to talk about a committee. I am going to talk about something else that concerns my hon. friend.

Mr. Benidickson: The Secretary of State referred to it.

Mr. Speaker: Order. I have followed the hon. member's argument with a good deal of care, as I did the speeches of the other hon. members, having regard to the decision

taken by the house. In my opinion unless a speech advocates a reference of this matter to the banking and commerce committee it does not clash with the decision already taken on the amendment.

Mr. Martin (Essex East): I have said that the minister indicated to the bankers that it was necessary, in order to get a reduction in the prime rate of interest, that there be an expansion in the money supply. It was clear that the course he was about to take was the way in which that could most effectively be done.

It is not without significance that on May 30 the Minister of Finance decided to move on two fronts. On that day in this house he used these words which will be found at page 5571 of *Hansard*:

> —I think it is by now a matter of knowledge on the part of hon. members that the various chartered banks of the country are reducing the prime rate of interest on loans as of June 1 to 5½ per cent.

If my hon. friend does not at once recognize the relevancy of that announcement in regard to the argument I have made and the sequence of events of that day, then of course he is resorting to a subterfuge in not answering the implications of what I am saying is the case. It was not very long after that very announcement that the Minister of Finance told the governor of the Bank of Canada that he had to go. The price for the friendship of the bankers was the dismissal of the governor of the Bank of Canada.

Mr. Fleming (Eglinton): That is a complete falsehood.

Mr. Martin (Essex East): My hon. friend will have his opportunity to deny it, and the most effective way in which he could deny it would be to confront the governor of the bank and the board of directors and let the true facts of this situation be exposed. That is what the minister should do instead of putting forward the reasons we get from him in this bill.

What reasons do we get from this Minister of Finance for the course this government is taking? We recognize that this situation is inevitable now because of his acts, because of the intransigency of the policies this government has pursued. What are the real reasons for this action? Five reasons have been given to us by the Minister of Finance. Let us examine those five reasons and see how hollow they are. Who does he think is going to accept these reasons in face of the background of the situation which he described the other day, beginning with his conversation with the governor of the Bank of Canada in November of 1957?

The first reason the minister puts forward is the public speeches made by the governor.

The public speeches made by the governor could not be a serious issue on May 30 because Mr. Coyne, on March 18, had agreed to remain silent. Of course, the speeches that Mr. Coyne had been making were not the reason. He remained silent, as I have indicated, from March 18 onwards. As we know from what I have already quoted, the Minister of Finance took the position throughout that the governor had the right to make these speeches; that he was a free citizen, notwithstanding the contentions which I and other hon. members made with regard to the impropriety of the governor of the Bank of Canada speaking in these areas apparently contrary to declared government policy.

I say to the minister that the answer to the second reason put forward by the government is that on February 21, 1961 the minister had accused the opposition, not the governor, of having brought the Bank of Canada into the centre of controversy. When we discussed the impropriety of the governor of the Bank of Canada making these speeches the minister said we were bringing the Bank of Canada into political controversy. He now acknowledges the impropriety of the governor's speeches. I say to him that if he felt as he said he did only the other day—this was something that he denied all through the piece, however—he should have taken the decisive step in November, 1957—

Mr. Benidickson: Quietly.

Mr. Martin (Essex East): —to remove the governor from office quietly, without offence to the governor's family, so there could be no divergence between the government's position and that of the governor of the Bank of Canada.

The answer to the third reason of the minister is that it is quite clear, after having seen the budget, that there was in fact no incompatibility between Mr. Coyne and the budget and that on May 30 the government was not, to use the minister's words, about to embark upon a far-reaching program which would be opposed by the governor. I say this because some of the proposals of Mr. Coyne as revealed to the country—and I say improperly so—in his memorandum of February 15 show a remarkable similarity to some of the minister's views as revealed in the budget.

Mr. Fleming (Eglinton): If you think they are similar you have gone astray.

Mr. Martin (Essex East): And we now know, as a result of the discussion in this house last evening, it was the views of the governor of the Bank of Canada which influenced the

minister in the formulation of the amendments now before the house regarding the industrial development bank.

Mr. Fleming (Eglinton): There is no truth in that, either.

Mr. Martin (Essex East): The minister says, "There is no truth in that, either". Let us have a committee to determine whether there is truth in that statement.

Mr. Fleming (Eglinton): You are just making false charges; that is all you are doing.

Mr. Martin (Essex East): A further reason the minister gives is the failure of the governor to disclose to the minister his pension arrangements. I do not in any way support those pension arrangements, but I wish to know all the facts in relation to them.

Mr. Pearson: A Tory pension.

Mr. Martin (Essex East): Yes, a Tory pension. Let not the Prime Minister forget and let not hon. gentlemen opposite forget that this pension was provided not by a Liberal government, not by a board of directors of the Bank of Canada appointed by a Liberal government, but for the most part by men appointed by the right hon. gentleman. They were the ones who formulated the pension arrangements. The one who took the initiative was the close friend of the Minister of Finance, Mr. Bryden. The Minister of Finance now wishes us to believe that he did not know of this pension until a short time ago. It is true that Mr. Bryden made a statement the other day and said that he did not write to the Minister of Finance—

An hon. Member: Coyne said he did.

Mr. Martin (Essex East): —within six months, as was indicated by Mr. Coyne. He may not have written but I ask the Minister of Finance to come before a committee of this house. Let us examine him and Mr. Bryden to determine whether or not there was some discussion between the Minister of Finance and Mr. Bryden.

Mr. Fleming (Eglinton): On a point of order, Mr. Speaker—

Mr. Speaker: Order.

Mr. Fleming (Eglinton): On a point of order—

Mr. Speaker: Will the hon. member for Essex East resume his seat?

Mr. Fleming (Eglinton): Mr. Speaker, this matter has been raised before in the house. I made a statement, which the hon. member is now calling into question in breach of the rules of the house, and said that I knew nothing of this pension until the spring of 1961. The hon. member is now circumventing that and in an indirect way is seeking to call into question the word of an hon. member of the house.

Mr. Hees: Hear, hear.

An hon. Member: Withdraw.

Mr. Martin (Essex East): Mr. Speaker, I have no desire to in any way violate the rules of this house.

Some hon. Members: Oh, oh.

Mr. Martin (Essex East): If the hon. member thinks I am, I say to him let us call Mr. Bryden; let us call the Minister of Finance; let us call two other directors and let us ascertain whether or not the Minister of Finance knew about these pension arrangements within ten days of their first being proposed by Mr. Bryden at the meeting of the board of directors.

Mr. Fleming (Eglinton): This is a repetition of what has been attempted before by the hon. member seeking to circumvent the rules of this house. This was the subject of a ruling in this house some days ago and subsequently there was withdrawal. This is not the first time this matter has arisen. It has been ruled that the hon. member must accept a statement made by another member of this house as to a matter within his knowledge. That statement is that I knew nothing of this pension until the spring of 1961.

Mr. Martin (Essex East): To save time, if the hon. gentleman wishes me to withdraw that I shall do so because that is the practice under our rules. But I say to the minister this: his assistant deputy minister was at that meeting and it is inconceivable that that able public official did not advise the deputy minister and the Minister of Finance of what took place at that meeting. In any event, let us go to the committee and find out whether that is the case.

Mr. Speaker: Order. I think the hon. member is paying only lip service to the rule of the house when he repeats his statement in that form. The simple proposition is that the house has always accepted that an hon. member making a statement in his place on a matter within his own knowledge should have his statement accepted by other hon. members. This does not prevent other hon. members from drawing the attention of the house to inconsistencies, but it does prevent them from challenging directly such a statement made by an hon. member on facts within his knowledge.

Governor of Bank of Canada

Mr. Martin (Essex East): Mr. Speaker, I accept your suggestion without any reservations so as to save time.

The final reason which the minister gave for the dismissal of the governor was this, and I quote the hon. gentleman's word as reported at pages 7043 and 7044:

He did not possess the confidence of Canadian financial institutions with which the Bank of Canada must work.

That reason is clear, and the facts which I have recited with regard to the meeting of May 16 confirm my interpretation. It also is confirmed by the incident involved in the representations made by the bankers of Canada to the Prime Minister of this country in the dispute which the Minister of Finance had with his colleagues when he threatened to resign unless they embarked upon his restrictive program in the late fall of 1960.

Mr. Fleming (Eglinton): Mr. Speaker, I rise on a point of order. The hon. member has said that there was a dispute and that I have threatened to resign in that dispute. I have already said today that there is no truth in that statement, and here again the hon. member is violating the rules of this house in making up statements which are denied by those who should have knowledge of them. I say that the statement he has made is untrue, and I suppose I should know as well as anyone whether it is true or not.

Mr. Speaker: The hon. member is rising to make an explanation. He is entitled to do so at the conclusion of the hon. member's speech, but during the speech only by permission of the hon. member who has the floor.

Mr. Martin (Essex East): It seems to me that the situation before us is this: the minister takes one position, the governor of the bank takes another. Some of us find that some of the facts in this situation are not clear. Some of us have views as to what actually took place. The directors of the bank have a responsibility in this matter, as have the deputy minister of finance and the assistant deputy minister of finance. These men have not been heard. Their point of view has been expressed through a prejudiced party or through a party whose point of view is partisan, the Minister of Finance. We cannot resolve this matter, a matter which touches the vitals of our financial integrity, merely on the say so of a government with a big majority behind it. That is no way to resolve this problem, and no one stated this in principle better than the Prime Minister when he said, as reported at page 5643 of *Hansard* of July 1, 1960:

—I rise for the purpose of speaking on a subject on which I have spoken through the years, which has to do with the maintenance and preservation of freedom against governments, however powerful they may be;

[Mr. Speaker.]

That is what is in issue now. This is a powerful government. It has a tremendous majority. Why, then, should it be afraid to test its expression of opinion against those who take issue with it? What has the government to be afraid of?

I have before me the Canadian Bill of Rights, distributed all over this country at the instance of an imaginative organizing body in Bracken house and printed by the Queen's printer. This bill of rights sets out various articles to guarantee that all are given a fair hearing, that there is to be a presumption of innocence, long recognized under our common law. We have at the bottom a statement signed by the Prime Minister. I close what I have to say by repeating what the Prime Minister said, and I ask him to remember these words and to recognize their bearing on the issue now before us:

I am a Canadian, a free Canadian, free to speak without fear, free to worship God in my own way, free to stand for what I think right, free to oppose what I believe wrong, free to choose those who shall govern my country—

Some hon. Members: Hear, hear.

Mr. Martin (Essex East): I hope hon. gentlemen will support this, too:

This heritage of freedom I pledge to uphold for myself and mankind.

Mr. Richard A. Bell (Parliamentary Secretary to the Minister of Finance): After the magnificent and eloquent speech of the hon. Secretary of State it is difficult for anyone to say anything original at this stage of the debate. But all this spurious indignation, the furious and verbose play acting of the hon. gentleman who represents Essex East requires someone to place the issues before the house in perspective, and that I propose to do in a deliberate and, I hope, orderly way. If I succeed, it will certainly be in striking contrast to the contribution made by the hon. member for Essex East, for I say that never in the history of parliament has this House of Commons heard so much fiction uttered in the course of 40 minutes.

The hon. gentleman put up one man of straw after the other, only to knock them down. The greater the falsity of the assertion, the closer the hon. gentleman clasped it to his bosom. The hon. gentleman said the Minister of Finance had threatened to resign. I have been closely associated with the Minister of Finance and I know something of the situation, and I can only say that on the part of the hon. member for Essex East this is but a question of the wish being father to the thought. The hon. gentleman closed his play

acting oration with a quotation from the bill of rights. Oh, I find it touching, this conversion of the hon. gentleman, because I sat in the gallery of the House of Commons in former days when the hon. member for Lake Centre, later the hon. member for Moose Jaw-Lake Centre, and still later the private hon. member for Prince Albert raised this issue on the floor of the house from his seat opposite. The hon. gentleman who is now leader of this government when a private member representing at various times the constituencies referred to raised the question of a Canadian bill of rights, and received from the four horsemen who now sit opposite nothing but scorn. That same hon. gentleman is now the right hon. Prime Minister, the man who a year ago on July 1 triumphed over the scorn of those hon. gentlemen opposite and who placed that great statute upon the statute books of this country. Yes, the hon. member from Essex East would have us believe this afternoon that he has been converted. Well, I do not think the conversion is quite what it was of another Paul on the road to Damascus, but if there be such a conversion in this instance I certainly know there will be some backsliding and probably before the day is out.

Sir, the real issue before this house is a simple and direct one and is capable of only one answer. All the tortuous and incoherent reasoning of the hon. gentleman from Essex East cannot conceal the simple issue. Can a governor, any governor, of the Bank of Canada be continued in office after he has lost the confidence of his board of directors—

Mr. Martin (Essex East): That is not the issue.

Mr. Bell (Carleton): —and lost the confidence of the government, after he has lost the confidence of the business and financial community with which he must be most intimately associated?

Mr. Benidickson: When did he lose that confidence?

Mr. Bell (Carleton): This afternoon the hon. member for Essex East indicated, as he has done on previous occasions, that there cannot be two sovereignties. Of course not. I could not agree more. In fact it is almost the only thing the hon. gentleman said with which I do agree. But what is happening in this House of Commons this afternoon?

Mr. Fleming (Eglinton): And he quoted that.

Mr. Bell (Carleton): What is happening is that this sovereign parliament, the elected representatives of the people, the only sovereign authority, the court of appeal if you like, to use the phrase that the hon. gentleman from Laurier quoted from the Minister of Finance, is being asked to exercise its sovereignty. If the hon. gentleman from Essex East and his colleagues practise what they preach, let them vote for this bill. If they believe that there cannot be two sovereignties, that is the only course they can take. I suggest to them that they desist from the support of a man who with an impropriety never before known in Canadian history uses the full resources of a great national institution, the Bank of Canada, to wage war against the elected representatives, the elected government of the people. Sir, to paraphrase Lord Durham, I say you cannot have two governments warring within the bosom of a single state.

Let hon. gentlemen opposite then support our system of responsible government, not a bureaucratic revolution, for such is the continuing Coyne artillery barrage from his Wellington street bastion. Even Mr. Coyne himself says in the letter which he released on June 26 to the press at least an hour before it was received by its intended recipient, the Minister of Finance:

> ... an honest difference of opinion proved to be unbridgeable, then it would be the duty of the governor to resign ...

Can any reasonable man believe that the differences disclosed in this debate are capable of being bridged?

Mr. Martin (Essex East): Who suggested that?

Mr. Bell (Carleton): Surely, after what has transpired, it would be the height of folly to suggest that this government, or indeed any government, and Mr. Coyne could ever work together again. If that be true, sir, then either Mr. Coyne or this government must go. And, sir, it is not our system of government that one bureaucrat can bring down a government. Governments in our nation do not go at the behest of a financier. Only this House of Commons or the people can accomplish the defeat of a responsible government. Can there then be any answer but that Mr. Coyne shall go? In due course this government will submit its record to the people. By that record we on this side are proud to stand and I believe we will survive.

My hon. friends opposite say Mr. Coyne is entitled to be heard. Superficially, sir, the argument perhaps is an appealing one; but it is not one which will stand the test of analysis. Our system of government, as I have said, is responsible government. This means simply that a ministry takes a decision and submits that decision to the will of the elected representatives of the people. By the will

of those elected representatives a government lives or dies. And, sir, when the vote comes this government will live.

A confrontation of the government and a public servant, warring within a single camp —such a proposal is totally foreign to our concept of responsible government.

Exalted though Mr. Coyne's position may be, I say that he is entitled to no higher right than any other public servant and no higher right than hon. gentlemen opposite accorded, shall we say, to General McNaughton when they took away his command, or to General Stuart or to Bob Pitt, whose only offence was that he offended the hon. gentleman from Bonavista-Twillingate. This government, sir, believes in one law for all, one law for the exalted and for the humble, not a special situation for Mr. Coyne.

Under our system of government, I repeat, the government takes a stand. It places that stand before the House of Commons. It explains it to the House of Commons, which is its master, and by the decision of that house, and ultimately of the people, a government lives or dies.

But, oh, say my hon. friends opposite, poor Mr. Coyne has had no forum. Well, what do they call the news headlines that this gentleman has created during these past three weeks? Has any Canadian public servant in all of our history ever had the opportunity that Mr. Coyne has had of presenting his side of the case to the public? Is there anything in the world that he could say that he has not said? After all, he has used the complete public relations resources of the Bank of Canada to further his case. How many thousands of dollars of the people's money have been used to further the insurrection of one man who has no backing from his own staff, and who has had the active opposition of his board of directors? These resources have been used to further his insurrection against the elected representatives of the people. Sir, he has not lacked a hearing. He has had every opportunity to be heard up and down and across the land. But my hon. friends say that he stands accused. We have here a situation where they say, "—the bill of rights shall be his protector." I have already indicated what I think of the sudden interest of hon. gentlemen opposite in the bill of rights. It really fascinates me. You would think now when they talk about it today that they had invented it instead of being, when they were in power, members of a government that over the years tried to prevent a bill of rights from being enacted. The bill of rights, sir, was never intended to and does not invade our system of responsible government. This argument about the bill of rights is the phoniest smokescreen of any that has been raised in this whole debate. I say let us be done with this nonsensical argument.

The only accusations of which I am aware are those which are being hurled constantly from his Wellington street bastion by Mr. Coyne directed at the Minister of Finance. The latest blast which was released on June 26 is so false, so false to my personal knowledge, so biased, so biased to my personal knowledge, so devoid of all principle and common sense that it is unbelieveable that a man in his position could have ever written it.

Mr. Coyne has had many days in which to court the headlines of this country in pursuit of his one objective, namely that of destroying the elected government of Canada. Today that government takes its case to the high court of parliament and it lays its case on the line. Does this House of Commons want Mr. Coyne or does it want this government? Sir, it is as simple as that. No government, Liberal or Progressive Conservative, or any other government that might be elected in Canada, could tolerate any type of insurrection no matter how exalted may be the insurrectionist.

The unhappiest fact of all is that hon. gentlemen opposite are seeking to exploit this incident for purely political purposes. They seek to exploit the defiance of government policy by the governor of the Bank of Canada, his equal defiance of his own board of directors, his defiance of leading Canadian businessmen on the board of directors drawn from every province of Canada and from every walk of life. I say to this house with great seriousness that hon. gentlemen opposite have shown a very scant regard for the future, for the integrity, the independence of a great national institution, the Bank of Canada.

To me, sir, the most deeply regretted situation of all this whole Coyne controversy has been the willingness of the governor to make a political football out of the institution to which he has devoted most of his mature life, or perhaps I should say his adult life, and of which he has been the directing head for 6½ years. I include in that regret the present utter impropriety in using the great resources and public relations facilities of the central bank to foster a political dispute.

It has been the governor who has shown a reckless disregard of the consequences to an important national institution. It has been the Minister of Finance and the government who have demonstrated patience, consideration, dignity and statesmanship. In true Louis XIV style the governor has adopted the attitude, "La banque, c'est moi". He has

shown a determination that if down he goes, as down now he must go, he will pull down with him the institution that gave him his opportunity and which is of such vital importance to Canada.

What has happened to his judgment is something that I simply cannot understand. Hon. gentlemen opposite need no words of mine to convince them of the intransigence of James E. Coyne. Members on the front bench opposite are not unaware of the fact that the present Minister of Finance is not the first minister of finance to find Mr. Coyne difficult, brooding and unco-operative. But, sir, what is most important is the fact that all except the most purely formal relations between the governor of the Bank of Canada and the financial community had come to an end. There has been almost a total breach between Mr. Coyne and the banking and other financial institutions of this country. Is everyone out of step except Mr. Coyne?

The hon. member for Essex East tried this afternoon to suggest that in some way there had been a conspiracy. He tried to arouse suspicion. I say to him that this is not worthy, that that is not in fact the situation. What has happened has not been a case of bogeymen of evil financiers who have been attacking Mr. Coyne. What has existed has been a total incompatibility of personal relations, a brooding, moody, ivory-tower attitude on the part of the governor, one man lonely in his majesty, one man against all the economists of government and financial institutions and, as we saw last autumn, against practically all the economists of the universities.

As this situation became increasingly apparent, as the governor more and more recklessly involved the Bank of Canada in political controversy, as increasing evidence mounted that our economy was suffering from the stubborn refusal of the governor to adopt flexible policies needed to give the economy a renewed stimulus, what was the government to do? It could have stood back until December 31 and merely let the whole sorry Coyne era disappear into an unlamented and unmourned past. It could have exercised a further restraint. It could have exercised a patience already severely taxed. Certainly that would have been the easy way. What it did was to act honourably. What it did was to tell Mr. Coyne that his term would not be renewed, that there were only 6½ months to run and that he stood in the way of the implementation of a comprehensive, sound and responsible economic program designed to raise levels of employment and production in Canada. This is what Mr. Coyne sought to prejudge and to prejudice in the public mind by a blast in which he described it as "mysterious and alarming". We may test what he has to say by this comment. Do any other Canadians consider the budget "mysterious and alarming"?

Mr. Coyne decided, as I have said, that he was greater than the government, that his personal future was more important than that of the Bank of Canada, and he declared war on the government and sought to bring it down. Not for a moment, sir, do I deny Mr. Coyne's right as a citizen to resign and to campaign to the limit against the government but I do dispute most vigorously the right of any servant of the crown to remain in office and to declare war on Her Majesty's ministers who have the confidence of this House of Commons, and to use the full resources of a great crown agency to fight his personal battle. I say that in all the history of parliamentary government I know of no counterpart of the utter impropriety of Mr. Coyne's actions, of his total disregard of the principles upon which responsible government is based. Let him step aside and use his own not inconsiderable resources and not the Bank of Canada's resources to fight his personal battle.

In my view what is now the most important aspect of this whole issue is to have appointed a new governor as soon as possible whose high qualities will command the confidence of the public and the business community alike.

From the recital of events given to the house last week by the Minister of Finance, it is abundantly clear that the Minister of Finance and the government have been running interference for Mr. Coyne for at least three years, endeavouring to protect him from the consequences of his own folly and, as it now appears, from the advice he was receiving from the hon. member for Bonavista-Twillingate. They were protecting him despite the fact that he was persisting in public utterances at variance with, indeed almost in defiance of, government policy, that his utterances were entirely outside the field of monetary policy and were entrenching entirely upon matters within the exclusive prerogatives of the government, that he was embroiling the Bank of Canada in political controversy, that he was becoming increasingly at loggerheads, as I have said, with the whole financial community with whom the national interest required that he work on a day to day basis of mutual trust and confidence. Small thanks indeed have the Minister of Finance and the government received from Mr. Coyne and his political commissar opposite, the hon. member for Bonavista-Twillingate, for the protection accorded to him sometimes in acutely embarrassing situations.

Governor of Bank of Canada

The last letter addressed by the governor of the Bank of Canada to the Minister of Finance, dated June 26 but, it is to be noted, released on that day by every Bank of Canada office in every part of Canada, is the most outrageous and unprincipled document I have ever read. The recklessness of his charges, the baselessness of his conjectures and diatribes, the lurid, hysterical language, were described by one newspaper as equalling a paper-back mystery thriller. I doubt the comparison for I have never read such a thriller which so completely departed from reality.

He states categorically that "the budget was rewritten after my statement". From personal knowledge I know that not to be the case. Yes, of course, editorial changes are always made in a budget up to perhaps 48 hours before its delivery but as to the main principles of this last budget they had been fully settled before Mr. Coyne was asked to resign and remained unchanged thereafter.

Words like "blackmail", "subversion", "ulterior", "political puppets", "degraded" abound in this letter which is as atrocious in its bad taste as it is in its utter falsity. He says in this letter that he was warned of a certain danger "by a man whose opinions I value". Hon. members who have sat in the House of Commons with him do not quite share Mr. Coyne's evaluation of the opinions of the hon. member for Bonavista-Twillingate.

It is the role of the government and of parliament to govern. Majority rule in this House of Commons must not be frustrated, I say, by opposition infiltration into sensitive public service areas, seeking to set at nought government policy. I say, let the elected representatives govern, not some invisible and irresponsible group headed by the grey eminence from Bonavista-Twillingate.

Quite a bit has been said about the pension aspects of this whole matter. This is but an incident, the fifth and last matter mentioned by the Minister of Finance in his discussion on May 30. Yet, so sensitive was Mr. Coyne that he tried to boil it into the principal issue. Sensitive—yes, but methinks the laddie doth protest too much.

In so far as my farmers and civil servants in Carleton are concerned, $25,000 a year is a lot of pension for a man of 50. However, I suppose it is nice if you can get it. This needs to be said, sir: Mr. Coyne at age 50 wants more for not working—for not working, mark you—than we pay the puisne judges of the Supreme Court of Canada for working until age 75. We pay the judges of that court $22,500 for working to age 75 and yet Mr. Coyne wants $2,500 more for not working at age 50. The governor of the Bank of Canada is a very important officer, but the people of this country have a high appreciation of our Supreme Court of Canada. We pay the deputy minister of finance, a most important official, $23,000 for working until 65, but Mr. Coyne wants $2,000 more for not working at age 50. There must be some sense of proportion, some relativity, and it is immaterial to me what the directors approved. I say only that I am ready to face my electors of Carleton at any time on my view in respect of this particular matter.

Mr. Chevrier: Would the hon. member permit a question?

Mr. Bell (Carleton): I did not interrupt the hon. gentleman.

Mr. Pearson: Just who gave him the pension?

Mr. Bell (Carleton): I did not interrupt the hon. member when he was speaking.

Of all the aspects of the speeches that have been made by hon. members from the other side of the house, hon. gentlemen opposite have indulged in more fence straddling over the Coyne memorandum of February 16 than any other aspect. I make no further comment upon the utter impropriety of the release of this rather fantastic document, except to say that this direct and deliberate breach of confidence and privilege is a measure of the reliance which ought to be placed in Mr. Coyne. At times—

Mr. Pearson: Hidden report.

Mr. Bell (Carleton): I hear the Leader of the Opposition say "hidden report". The hon. gentleman certainly never at any time when he was a minister of the crown saw to it that there was a release of any report from the governor of the Bank of Canada to any of the ministers of finance with whom he served in the government.

At times, hon. gentlemen opposite seem to want to get into bed with Mr. Coyne and then they want to be divorced rapidly. They are unable to make up their minds. I put this question to the hon. gentlemen who may speak. Do they adopt the Coyne memorandum or do they not? If it had been presented to them, what would they have adopted of its proposals? What would they have done with this memorandum? Let the Leader of the Opposition, great internationalist that he is, say if he would impose at once a 10 per cent surtariff on all goods whether free or dutiable alike. I think his Sifton allies would be interested in the hon. gentleman's comment.

Mr. Pearson: The hon. gentleman asked me a question, and the answer is no, I would not.

Mr. Bell (Carleton): So, the hon. gentleman says no. He is now in the clear with his Sifton friends. In order to adopt this particular proposal, we would not only have to denounce GATT but we would have to denounce every trade treaty that this country has entered into under a Liberal government or a Progressive Conservative government. Should we denounce our treaties with the United Kingdom, with the United States, with Australia, and stand alone in the world? Mr. Coyne would have us in a position of magnificent isolation. Not only would we have to denounce our trade treaties, but Mr. Coyne would have us denounce all our tax conventions, terminate all agreements in respect of non-resident withholding taxes and raise the rate to 30 per cent. My hon. friend says, "and without a hearing".

Canada has never had the reputation of being a treaty breaker. I doubt if the country will go along with Mr. Coyne or any of his Liberal allies opposite and give them the opportunity to blacken our international name. Hon. gentlemen opposite, in the budget debate and since, have asserted that tax reductions are a desirable stimulus in times of economic slowdown. What does their erstwhile comrade in arms, Mr. Coyne, say? He advocates an immediate 3 per cent increase in the corporate and income tax. Do my hon. friends adopt that policy? Once you submit the whole of Mr. Coyne's memorandum to critical analysis of this type, you find that obviously it is not all bad and equally obviously it has many features which are totally impractical, some actually mischievous, some so harebrained that it is almost impossible to believe the memorandum was composed by a man who has spent a large part of his life in the field of economics.

Mr. Fleming (Eglinton): I guess "Pick" wrote that too.

Mr. Bell (Carleton): Yes, perhaps it was the ex-clerk of the privy council who played a large part in its composition.

I am afraid, sir, that those who read this memorandum carefully and reflect upon its proposals will have portrayed more vividly than any words of mine the problems endured by the Minister of Finance in endeavouring to deal with this governor. By his own words he has depicted his true competence, his prejudice and his recklessness with regard to the consequences of the measures he advocates. He wants higher levels of taxation and, to use his own words, "without apology". The full extent of the increases are difficult to deduce from the memorandum, but it is clear that they are massive. These increases would be particularly substantial in respect of the oil industry and the mining industry. Depletion allowances would be reduced, if not done away with. Regrettable and damaging, sir, would be the consequences to many communities in various parts of Canada.

Mr. Coyne's memorandum displays what I might describe as his morbid dislike, almost hatred, of foreigners. This has permeated all his advice to the government. His recklessness in this respect would lead Canada to the brink of disaster. One might go on examining this fantastic memorandum. I only repeat that out of his own mouth is he condemned. The quality of the advice which he is capable of tendering to any government is here exposed for all to see.

Hon. gentlemen opposite naturally seek to defeat this government. That is their right, indeed that is their obligation and that is the democratic way. What I am totally unable to comprehend, however, is how they can give their support to an attempted coup, a coup d'etat, whereby one public servant, violating every principle and ideal of the public service, seeks to bring down the government and usurp the role of this House of Commons. This is not the Canadian way.

Mr. Martin (Essex East): That is not what we are trying to do, and you know it.

Mr. Bell (Carleton): That is precisely what hon. gentlemen are trying to do.

Mr. Martin (Essex East): We are trying to get the facts.

Mr. Bell (Carleton): If the reports from the grapevine be true, hon. gentlemen opposite will seek to go behind the backs of the elected representatives and seek to have a few old men in another place serve their particular purpose.

Some hon. Members: Oh, oh.

Mr. Bell (Carleton): Well, sir, if there is one principle that matters, in my view it is the maintenance and preservation of the integrity of the Bank of Canada in the image which Graham Towers gave it. With an utter disregard for consequences, Mr. Coyne suggested that a new governor would be subverted and his ghostwriter in this house apparently said the new governor would be a "stooge". I say, sir, that words like that work a grave national disservice. Let us all remember that Canada is much greater than any one of us; that all of us will pass from this scene but hope we will leave Canada stronger and more united.

This I know: No man will be appointed to the role of governor of the Bank of Canada by this government who is not a strong, vigorous and experienced person capable of giving to the Bank of Canada real and effective leadership, leadership of the type which

has been denied to it in these last years. This government believes in the significant role of the Bank of Canada, and as soon as this parliament disposes of Mr. Coyne, that bank will be placed in the soundest position in which it has been since the days of Graham Towers. To that end, I suggest we direct all our efforts.

Hon. Paul Hellyer (Trinity): Mr. Speaker, the parliamentary secretary rose, he said, to set the issues in perspective. If that was his purpose, he has failed miserably. He sought to erect a straw man out of tangential issues and has completely ignored the two overriding ones. They are first, fundamental justice, the right of the accused to be heard; and second, government responsibility. The parliamentary secretary said our system is responsible government. May I say that there is nothing responsible about this government. In this case it might be more accurate to say a government lack of responsibility, a government which has never been big enough to take responsibility for the unpleasant. Of course, when things go well, it is thanks to government intervention, but when things go badly, it is the fault of someone else.

Some hon. Members: Oh, oh.

Mr. Hellyer: This has been true from the very outset.

An hon. Member: Look at the gallery.

Mr. Pearson: All you care about is the gallery.

Mr. Hellyer: I have great sympathy with the gallery. They have had to listen to the limit of their physical endurance to hon. gentlemen opposite.

Some hon. Members: Oh, oh.

Mr. Speaker: Order.

Mr. Hellyer: First after the government was elected the scapegoat was the Liberals; it was the legacy they were left. Then it was external influences beyond their control, they said, which kept them from running the Canadian economy properly. Now at last it is the governor of the Bank of Canada. Again the government refuses to accept its responsibility and has looked for a scapegoat. It is this insistence on always finding a scapegoat which is so objectionable, Mr. Speaker. This attitude of the government reminds me of a quotation from Morrow:

> Any party which takes credit for the rain must not be surprised if its opponents blame it for the drought.

The truth is, Mr. Speaker, that the government has got itself into a box and has chosen a cheap and, as it hopes, an easy way to lay this blame on the shoulders of someone else. The government has been in constant trouble. The evidence is everywhere. There have been many reports. Here is just a sample. This appeared in the Toronto *Daily Star* of January 6, 1961 in an article by Mr. Jack McArthur, the financial editor. I quote it in part:

> Painted into a Corner
>
> Here's where it gets funny.
>
> Mr. Fleming, although he apparently would like to reduce interest rates, has painted himself into a corner.
>
> He has said often and loudly that money policy is a responsibility of the Bank of Canada—and that the federal government has no control over the bank.
>
> He has not even been willing to comment on the central bank's money supply and interest policies.
>
> How can he possibly now try to persuade the Bank of Canada to listen to him? So he and the government must try to run their own private interest rate policy and pretend the Bank of Canada isn't there.
>
> If that isn't good for a real laugh—and a few tears—then nothing is.

Having been painted into a corner, what is the government to do? The depth of the desperation is shown very clearly by simply comparing the statements of the Minister of Finance in this year's budget with those of last year. This year he proposes as visionary that which last year he said was impossible. One example which has been stated in this house is that of manipulation of the foreign exchange fund. Whereas a year ago he said that it was a speculation with no assurance of success, this year he says rather than by direct government controls, subsidies, quotas or tariffs he would undertake a manipulation which would bring down the exchange rate by indirect methods. Precisely, however, a year ago he said this type of thing would likely lead to direct controls. Now he has made a right angle turn.

This raises a very fundamental question. I was interested in listening to the hon. member for Greenwood (Mr. Macdonnell) this morning. He also seems to be a recent convert. At noon I was reading in *Hansard* a statement of his where a new policy was being embarked on, and he insisted that the governor of the Bank of Canada be brought to a committee to discuss the issue, that this was in all fairness the only way in which it could be dealt with. Today he takes an entirely different attitude. I remember also, in that same committee at the time the bank act was revised, the hon. gentleman's insisting that some limitation be put on the power of the Bank of Canada to increase the money supply. He it was who feared an irresponsible government. He it was who feared the possibility of some future government starting the printing presses and going into a wild inflation of the Canadian currency. What has happened

in the intervening years to change his mind? Was he more visionary then than now? Or was it simply that he could foresee at that time a government of the calibre and lack of responsibility of the present government?

Mr. Macdonnell: Will the hon. member permit a question?

Mr. Hellyer: Certainly.

Mr. Macdonnell: What he has said about me at that time is quite true. But will he remember also that at that time I think it was clearly brought out beyond peradventure by the words of the minister of finance and the governor of the bank that if and when a difference of opinion occurred between them it was the duty of the governor of the bank to resign?

Mr. Hellyer: That is quite true. But the government of the day accepted its responsibility and did so promptly. It never tried to hide behind some outside body. I will deal later with what the government could do if it wished to have a machinery which would permit this without the very deplorable situation which has now occurred.

The hon. member for Greenwood of that day would have had grave and serious reservations about the possibilities underlined by the budget of this year. He would want to know what is behind this move. He would want to know the nature and the extent of the alleged obstruction which must be steamrollered out of the way with unseemly haste.

The other fundamental question, Mr. Speaker, is that of fundamental justice. The governor of the bank has been accused of obstructing government policy. The supporting evidence has not been produced. How can this procedure be squared with the bill of rights? I recall July 1, 1960, bill of rights day. The Prime Minister was at his best. The Prime Minister was most eloquent. How our hearts beat with pride and with joy on this great date of bringing in a new era of rights and freedoms for the average Canadian citizen.

Mr. Benidickson: Each individual.

Mr. Hellyer: For an instant he had me convinced that the bill of rights, which I believed in the depth of my heart to be a farce, might in reality be a substantive bill. But where is the bill of rights today? Where are the champions of fundamental rights and human freedoms today?

An hon. Member: In the government.

Mr. Hellyer: To their shame they now applaud tyranny. The parliamentary secretary to the Minister of National Revenue cited a strange doctrine today. If we gave the governor of the Bank of Canada a chance to be heard, he said we would then have to give the same right to every other government employee, to every clerk. What a red herring that is, Mr. Speaker. Civil servants are employees of the government and they have a right of appeal. The governor of the bank, on the other hand, is responsible to the parliament of Canada. If the government wishes to introduce an amendment to the Bank of Canada Act in order to change the relationship between the governor and the government, it has the right to do so. Not only that, Mr. Speaker, but if it believes it should be done, it has the responsibility to do so. Many people have made this suggestion. Indeed, perhaps that is the type of bill which should be before the house now instead of the one we have at present. In the meantime, the rule of law must apply. The law states that the governor shall hold office for seven years during good behaviour.

Mr. Woolliams: He has not behaved well.

Mr. Hellyer: The Minister of Finance has not made any categorical accusation of misbehaviour. The accusations are by innuendo; the charges are by inference. If parliament passes this law without hearing the evidence it will be flouting two of its own laws. It will by inference have accused a man of misbehaviour and found him guilty without giving him the benefit of trial. It will also flagrantly disregard the bill of rights, which explicitly denies a statute taking away rights and freedoms which had existed long before the fair weather champions opposite chose to espouse them.

The Secretary of State has stated in his loudest voice that the issue before us today is the issue of the supremacy of parliament. That is not the real issue, Mr. Speaker. There is no question about the supremacy of parliament. The real issue—and it is the same issue embodied in the bill of rights—is the duty and responsibility of parliament not to pass laws taking away from the individual the fundamental right to a fair hearing.

I must oppose this procedure, Mr. Speaker, because I must stand on the principle of the right of a free man to be heard before the court that condemns him.

Some hon. Members: Question.

Mr. Deputy Speaker: Is the house ready for the question?

Some hon. Members: Question.

The house divided on the motion (Mr. Fleming, Eglinton) which was agreed to on the following division:

Division

YEAS

Messrs:

Aiken
Aitken, Miss
Allmark
Balcer
Baldwin
Barrington
Baskin
Beech
Bell (Carleton)
Belzile
Best
Bigg
Bissonnette
Bourbonnais
Bourdages
Broome
Browne (St. John's West)
Browne (Vancouver-Kingsway)
Brunsden
Campbell (Lambton-Kent)
Campbell (Stormont)
Campeau
Cardiff
Casselman, Mrs.
Chambers
Charlton
Chatterton
Churchill
Clancy
Coates
Comtois
Cooper
Crouse
Danforth
Diefenbaker
Dinsdale
Dorion
Doucett
Drouin
Drysdale
Dubois
English
Fairclough, Mrs.
Fane
Fleming (Eglinton)
Fleming (Okanagan-Revelstoke)
Flemming (Royal)
Forbes
Fournier
Frechette
Gillet
Grafftey
Green
Grenier
Grills
Gundlock
Hales
Halpenny
Hamilton (Notre Dame de Grace)
Hamilton (Qu'Appelle)
Hanbidge
Harkness
Hees
Hicks
Hodgson
Horner (The Battlefords)
Howe
Johnson
Jones
Jorgenson
Jung
Keays
Kennedy
Kindt
Knowles
Korchinski
Lafreniere
Lahaye
Lambert
Legere
Lennard
Macdonald, Mrs.
Macdonnell
MacLean (Queens)
MacLean (Winnipeg North Centre)
MacLellan
Macquarrie
McBain
McFarlane
McGee
McGrath
McIntosh
McPhillips
McQuillan
Martel
Martineau
Martini
Matthews
Milligan
Monteith (Perth)
Monteith (Verdun)
Montgomery
More
Morissette
Morton
Muir (Cape Breton North and Victoria)
Muir (Lisgar)
Nasserden
Nesbitt
Noble
Nugent
O'Hurley
O'Leary
Pallett
Parizeau
Pascoe
Paul
Phillips
Pigeon
Pratt
Rapp
Regnier
Ricard
Richard (Kamouraska)
Rogers
Rompre
Rynard
Sevigny
Skoreyko
Small
Smallwood
Smith (Lincoln)
Smith (Simcoe North)
Smith (Winnipeg North)
Southam
Speakman
Spencer
Starr
Stearns
Stefanson
Stewart
Tassé
Thomas
Tremblay
Valade
Villeneuve
Walker
Webb
Weichel
White
Winkler
Woolliams
Wratten—153.

NAYS

Messrs:

Badanai
Batten
Benidickson
Boulanger
Bourque
Cardin
Caron
Chevrier
Clermont
Denis
Deschatelets
Dumas
Eudes
Fisher
Forgie
Garland
Granger
Habel
Hellyer
Herridge
Howard
LaMarsh, Miss
Leduc
Lessard
Loiselle
McIlraith
McMillan
McWilliam
Martin (Essex East)
Matheson
Meunier
Mitchell
Pearson
Peters
Pickersgill
Pitman
Regier
Richard (Ottawa East)
Robichaud
Tardif
Tucker
Winch—42.

Bill read the second time.

Mr. Speaker: It being five o'clock, the house will now proceed to the consideration of public and private bills, the latter having priority.

Mr. Herridge: In view of the particular circumstances, I wonder whether we could get unanimous agreement to proceed with order No. 3 on today's order paper under private bills?

Mr. Pickersgill: I am sorry; Bill No. S-2 has been on the order paper for a very long time. There seems no good reason why it should not be proceeded with. I am afraid there is not unanimous consent.

PRIVATE BILLS

AURORA PIPE LINE COMPANY

The house resumed from Tuesday, May 30, consideration in committee of Bill No. S-2, to incorporate Aurora Pipe Line Company—Mr Woolliams—Mr. Flynn in the chair.

On clause 1—*Incorporation.*

Mr. Herridge: Mr. Chairman, before proceeding with this, I think the hon. gentleman who replied when I suggested that we get unanimous agreement to proceed with order No. 3 misunderstood our approach. There is a particular reason for getting this bill respecting the Canadian Legion through today. We are not in any way trying to delay the passage of other bills, but owing to particular circumstances I was asked to ask whether unanimous consent could not be given. Unanimous consent has not

been given, therefore, I would move, seconded by the hon. member for Vancouver East:

That the house do now revert to item No. 3 as listed under private bills on today's order paper.

Mr. Pickersgill: Perhaps I might say a word. I beg your pardon, Mr. Chairman.

The Chairman: I was going to rule on the motion. I cannot accept it because the house has decided to go into committee of the whole on the first item, which has to do with the Aurora Pipe Line Company. The hon. member will understand, therefore, that the decision which he suggests now is one for the house to make and not the committee.

Mr. Pickersgill: Since I took exception to giving unanimous consent to proceed with the third item on the order paper, perhaps I may be permitted to say a word. It did seem to me that there had been a tendency far too often to pass over some of those contentious measures instead of disposing of them, as in my belief the house should. But if, as the hon. member for Kootenay West says, there is some particular reason for disposing of item No. 3 first, and if it would be understood that the whole hour was not going to be consumed in doing so, I would then be very happy indeed to withdraw any objection I took. If there was no objection in any other quarter of the committee I would be willing to move that we rise, report progress and ask leave to sit again on this bill so that we could carry out the suggestion made by the hon. member.

Some hon. Members: No.

Mr. Woolliams: As sponsor of the bill—

The Chairman: Is the hon. member formally moving his motion?

Mr. Pickersgill: No. I think we ought to hear the hon. member who sponsors the bill before we do that.

Mr. Woolliams: Perhaps I may say this, Mr. Chairman, and I think I can be brief. The export of the substance in reference to the pipe line itself has been approved by the Alberta conservation board and by the Alberta government and, as it means so much to the economy of Alberta, I do sincerely hope that we can proceed with this matter and complete it today.

The Chairman: Shall clause 1 carry?

Mr. Regier: No. I move:

That we rise, report progress and ask leave to sit again later this day or at the next sitting of the house.

Motion (Mr. Regier) negatived: Yeas, 7; nays, 135.

The Chairman: I declare the motion lost. Shall clause 1 carry?

Mr. Howard: Mr. Chairman, the hon. member for Bow River, who is the sponsor of the bill, made some comments during an earlier stage about a motion just dealt with and we have read in the newspapers about the subject matter with respect to which the hon. member for Bow River was talking. Would he be kind enough to give the committee in a formal way at this stage the information which I am sure he has at his fingertips regarding the Alberta gas and oil conservation board?

Mr. Nugent: Would you listen to it if he gave you any information?

Mr. Howard: I would tell the hon. member that I would have more pleasure listening to the hon. member for Bow River than I would to my friend who just made that interjection. I wonder whether the hon. member for Bow River would give the committee in formation in a formal way about the decision which I am led to believe by the newspapers was made recently by the Alberta gas and oil conservation board and also by the Alberta government?

Mr. Woolliams: Very briefly, Mr. Chairman, I can say in a few sentences that the application to export condensate and the by-products of gas was approved by the Alberta conservation board which has jurisdiction in that regard in the province of Alberta. The application of the Hudson Bay Oil and Gas Company was approved and the decision of that board has been approved by the provincial cabinet of Alberta. It is just that simple.

Mr. Peters: Mr. Chairman, I am still concerned about this matter. I realize that the Alberta government is interested in the matter and the people of Alberta obviously have an interest. In the national sense we in the federal parliament also have an interest in the problem. We are also aware, of course, that the national energy board will have to make some decision on the matter of export of gas in the same way as the Alberta gas and oil conservation board did. I should have liked to have a little more information on what the results of this decision will mean to us.

Although the Alberta board may have made a decision on this matter, I would point out that our opposition to the bill originally was twofold. First, we believe that Canadians wherever possible—and certainly in setting up a new company it should be possible—should have control of the company. Second, we believe that industries arising out of the

development and processing of the condensate should be established in Canada to encourage the development of secondary industry.

I understand that there has been a change in the plans of the company. Originally it contemplated sending the condensate to Chicago where markets had been arranged on a tentative basis. I understand it is now proposed to serve different markets with these condensates. I should like to know from the sponsor whether this means that the development of secondary industry based on the condensate will be in Canada or just where these industries are going to be located. I presume that the Alberta board was interested in this problem and made a decision on that matter.

The Chairman: Shall clause 1 carry?

Mr. Howard: Mr. Chairman, I do not want to supplant the hon. member for Timiskaming but I had hoped that the hon. member for Bow River would be able to answer this particularly important question. At the initial stages some months ago argument for the passage of the bill was based upon certain markets being in existence. Is it a fact that these markets are not now in existence? Have the markets changed or altered somewhat? Will the products to be shipped by Hudson Bay Oil and Gas Company and by Aurora Pipe Line Company as is contemplated be sent to markets somewhere else? Has there been an alteration? I think these are very important questions especially in view of the desire of everyone in the house to promote the development of industry in Canada.

Mr. Woolliams: I certainly want to co-operate in every way and I can only say that when my good friend from Macleod had another bill with reference to a railway line before the house he pointed out that the same by-products were being exported to the United States. Condensate, of course, is a high form of crude petroleum. As I pointed out, it is a surplus commodity in the province of Alberta and it is a case of exporting it. The fact is that we have a surplus in the province of Alberta. The hon. member for Skeena will appreciate that those are the points that will come before the national energy board and will be ironed out at that time on the basis of proper evidence. There is no doubt that if this pipe line is allowed to proceed export will be to a different part of the United States from that mentioned earlier. This is a surplus commodity. It is a by-product of natural gas. As I pointed out on a previous occasion, we have a reserve in the province of Alberta of some 23 trillion cubic feet and the demand in Canada, even projecting, would amount to about only 10 billion cubic feet per year. It is a surplus commodity as are beef from the foothills of the Rockies and wheat as I have said on previous occasions. It is a commodity to be exported by a pipe line. As I pointed out on previous occasions, in order to export it across an interprovincial or international border it is necessary to form a special company. That was why Hudson Bay Oil and Gas came here to parliament. As a matter of law, we had to come to parliament to ask for incorporation.

Mr. Winch: May I ask one question of the sponsor? Is the sponsor of this bill in a position to give any guarantee to the committee that the majority of the directors of the subsidiary of Hudson Bay will be Canadian citizens?

Mr. Woolliams: I am very happy to answer that question. I can give that undertaking. The directors of Hudson Bay and the directors of Hudson Bay Oil and Gas have given an undertaking, which I am certainly willing to give today to this committee. I appreciate that fair question put to me by the hon. member.

Mr. Broome: I am pleased with the announcement the hon. member has just made. However, I am still opposed to this bill and I shall vote against it. I hope it does come to a vote. I particularly resent the management of the company stating how Canadian they are in their outlook when they offer $28 million-plus of bonds to the Canadian people and suggest this is the proper way for the Canadian public to participate in their operations, and yet they are content to have something like less than 3 per cent equity stock ownership in Canada. I hope we never have another company come to this parliament with that philosophy behind them, because if they do they will run into hot water.

Mr. Kindt: I wish to speak for only one minute. The last time this bill was before the committee, I rose in my place and tried to present to this committee the importance of this measure in respect of the industrial development of western Canada. There is today a new Shell Oil plant under construction some 14 miles south of Pincher Creek. This plant is drawing from a number of gas wells in that area. When that gas is processed some of the by-products will be ethane, methane, propane, butane and hydrogen sulphide. Certain of these by-products are a drug on the market. We have such an abundance of them that we must export them. The only alternative is to touch a match to the gas and have it flaring out of a pipe

extended into the air. I would rather have these by-products exported than see the gas burnt and wasted.

I wish to close by saying that now that the directors are to be Canadian, as announced by the hon. member for Bow River, I shall support this bill right down the line.

Clause agreed to.

On clause 2—*Provisional directors.*

Mr. Howard: In looking at the way this clause is worded and comparing it with other private bills, and after talking to members of the legal profession, it seems to me that there is a difference between the words "first" as used here in relation to the persons named as directors, and the word "provisional" as used in other bills. The members of the legal profession tell me that the word "first" does not make much sense in law and that the word "provisional" is the proper word to use. I see you shaking your head, Mr. Chairman, and I do not know whether you are agreeing or disagreeing with what I am saying or whether you are indicating I am not in order.

The Chairman: The hon. member is in order.

Mr. Howard: Since the word "provisional" is used in the marginal notes, I would think that the word "provisional" would be more properly used in the clause itself. I just put that thought forward, and perhaps the hon. member for Bow River or others would desire to say something about it. Perhaps the word "provisional" would be better understood than the word "first" if a problem ever arose. I may have been misinformed as to the use of these two words.

Mr. Woolliams: I am happy to answer that question, I think it is a fair one. When you are incorporating companies that do not have to come to parliament, you always have provisional directors. They are the original promoters or organizers of the company. They are called provisional directors. Actually, these terms are synonymous. The term "first directors" is used as I understand it from legal counsel who drafted the bill for the company, and this is the form that was used on other occasions. I think I am right on that point. However, I believe the terms are synonymous. The point is well taken. I think the legal advice the hon. member for Skeena has received was probably correct. Provisional directors exist in all companies where the company is to be a provincial company or where you get leave of the Secretary of State to form a company. In this case, the first directors are the provisional directors of the company. These first directors are the directors who take over and organize the company if it is granted incorporation by parliament.

Mr. Howard: I do not wish to belabour the point, Mr. Chairman, but I would point out with respect to Bill No. S-16, sponsored by the hon. member for Davenport, which is one that parliament dealt with a short time ago, the word "provisional" is used in clause 2. The clause states that the persons named in section 1 shall be the provisional directors. I only mention this because I would not wish to see any great difficulties caused in the future as a result of the use of this word. If, in fact, "first" means "provisional" and the gentlemen mentioned in clause 1 of the bill are only the provisional officers engaged in the mechanical operation of forming the company and the shareholders will then elect their own directors, then that is quite acceptable.

In so far as the directors of the company subsequent to the first or provisional ones are concerned, I am assuming that they will be Canadian citizens as a result of the reply of the sponsor of the bill to a question by the hon. member for Vancouver East. In my opinion, this should not be left to chance, as it were. If we are concerned about this sort of thing, perhaps we should take a more direct approach to it rather than, as I say, leaving it up in the air. I am not, however, doubting the word of the hon. member for Bow River. If we are establishing Canadian companies in Canada, with this concept of Canadian control, I wonder if the hon. member for Bow River has any suggestions for approaching that problem more directly than is done in clause 2?

Mr. Woolliams: All I can say by way of reply is that this is the form used in previous bills incorporating pipe lines. It is a point to consider. The original or first directors are set out in the clause and they, as I have said, are the first directors of the company. I have given one of the hon. member's colleagues an undertaking that the company will be manned by Canadian directors.

Mr. Peters: I have appreciated the remarks of the hon. member for Bow River so far. He is being more co-operative and not at all like his previous self. I am pleased also with the remarks he has made in respect of these directors. This answers some of the problems we have had in mind in reconciling the sale of these refinery products in the export market. It seems that this is part of the problem connected with the lack of secondary industries in Canada. If the directors of this company are Canadians, then this probably would eliminate many of the

doubts we have as to whether or not these vital natural resources are going to be used to the advantage of the Canadian economy. With that thought in mind I should like to move the following amendment:

That clause 2 be amended by adding thereto the following subclause to be numbered 2:

"All of the directors of the company shall at all times be Canadian citizens ordinarily resident in Canada."

Amendment agreed to: Yeas, 55; nays, nil.

The Chairman: I declare the amendment carried.

Clause as amended agreed to.

Clauses 3 to 11 inclusive agreed to.

Preamble agreed to.

On the title.

Mr. Regier: I wish to assure the committee that I intend to take only half a minute. However, I feel that it is a bit of a contempt of parliament for the Alberta energy board to have taken the measures it has taken and also for the cabinet of the government of Alberta to have taken the measures it has taken in this regard before allowing the parliament of Canada to reach a decision. They have given all the rights to the parent company even though, I will admit, they have not dealt with the Aurora Pipe Line Company as such. However, they were completely aware of the implications of their actions. They were also aware of the fact that this matter was before the House of Commons at the time they made their decision. I do not know whether there is any proper procedure but I would say that the Alberta energy board and the Alberta government are guilty of being in contempt of this House of Commons because they took action which completely nullified any decision that we may make either one way or the other.

Mr. Howard: I should like to follow along with that line of reasoning very briefly, Mr. Chairman. You will recall that, at previous stages of discussion of this bill, numerous arguments were made that what parliament should do is merely to pass the bill without question or discussion because we have a national energy board, because it was established by parliament because it had certain functions and responsibilities and so on. It was argued that we should therefore entirely give up the right to make a determination of these matters to a board which has been established by parliament.

As you will know, Mr. Chairman, we objected to that line of reasoning as not being valid. What the hon. member for Burnaby-Coquitlam has just said, in my opinion, has even more force than our argument previously because the board that made the decision in this regard is not a board that has any responsibility to the parliament of Canada. It is one established by the legislative assembly of the province of Alberta and the provincial government is involved in that particular decision.

It is true, of course, that the government of Alberta cannot grant licences for or deal with exportation to another country or to another province. Here the national energy board comes into the picture. However, I think the Alberta gas and oil conservation board is perhaps not entirely to blame in this regard, but rather that Hudson Bay Oil and Gas Company has acted a bit contemptuously also, knowing full well that as the promoter or parent company of Aurora Pipe Line Company, it had applied or petitioned for a private bill to establish this company. Hudson Bay Oil and Gas Company also knew full well that the matter had not been dealt with by parliament. Yet at the same time as this legislative action was not completed it proceeded, as I say in a contemptuous way for the feelings of parliament, to make applications and to process those applications before the Alberta conservation board, without having any statutory approval of the particular company which it was fostering and promoting.

It is a bit contemptuous of and a bit of an affront to parliament for a private company so to petition, to plead and to argue for the establishment or the incorporation of a certain company to do certain things and then, without regard to what decision parliament might make, to proceed on its own hook to get authority from other sources to do some of the things with which Aurora Pipe Line Company will be connected.

It would seem to me that parliament should concern itself more with the activities of private companies, especially those controlled in the United States, as is Hudson Bay Oil and Gas Company and as this company will be. Parliament should concern itself with the activities of those companies especially when they are handled in this particular manner, especially when a petition is made to incorporate a particular company because the law requires it—that is to say, the National Energy Board Act requires it—and then by the back door they go somewhere else and proceed just as if parliament had endorsed and authorized the establishment of this particular company.

On that basis alone I would be inclined to object to the passage of the bill and to vote against it regardless of the merits that exist for voting against it in the field of international control. I think it should not go unnoticed that Hudson Bay Oil and Gas

Company have acted in this way, as is probably typical of companies of this type controlled by what the Prime Minister referred to, generously or ungenerously, as Texas buccaneers. I think that this is an indication of the manner in which they are wont to operate and I do not think that parliament should let it go unnoticed.

Title agreed to.

Bill reported.

Mr. Speaker: When shall the bill be read the third time?

Some hon. Members: Now.

Mr. Speaker: By leave, now?

Some hon. Members: Now.

Mr. Woolliams moved the third reading of the bill.

Mr. Frank Howard (Skeena): Mr. Speaker, just before the motion is put to the house, may I say this. I have no intention of dragging the house through the formal procedure of a division, but I merely wish to place on record that I intend to vote against the incorporation of this particular company for the variety of reasons we have given in the past and particularly because of the contempt with which Hudson Bay Oil and Gas Company seems to treat the people and natural resources of this nation.

Mr. Speaker: Is the house ready for the question?

Some hon. Members: Question.

Mr. Speaker: Those in favour of the motion will please say yea.

Some hon. Members: Yea.

Mr. Speaker: Those opposed will please say nay.

Some hon. Members: Nay.

Mr. Speaker: In my opinion the yeas have it.

Mr. Howard: On division.

Mr. Speaker: Carried on division.

Motion (Mr. Woolliams) agreed to and bill read the third time and passed on division.

Mr. W. G. Beech (York South): Mr. Speaker, I wonder if we could proceed with item No. 3 on the agenda, the bill respecting the Canadian Legion?

Mr. Frank Howard (Skeena): It seems very strange to me that the hon. member should now ask to proceed with this item when he voted against proceeding with it a while ago.

Mr. Peters: He voted against proceeding with it.

Mr. Speaker: The hon. member for York South suggests that we take item No. 3 before item No. 2. Is it agreed?

Some hon. Members: Agreed.

THE CANADIAN LEGION

The house in committee on Bill No. S-23, respecting the Canadian Legion—Mr. Beech —Mr. Flynn in the chair.

Clauses 1 and 2 agreed to.

On the preamble.

Mr. Herridge: If we have the time, Mr. Chairman, I just wish to say that this amendment is intended to recognize 35 years of service on the part of the Canadian Legion to veterans, their dependents and communities across Canada. This work has been carried on through their branches and their councils in dominion and provincial commands. The results are seen in the veterans charter, amendments thereto and the multitude of community projects undertaken by the Canadian Legion. Their good work has been supported by numerous ladies' auxiliaries. I might say on behalf of this group that we are very pleased to see this amending bill pass this afternoon.

Mr. Benidickson: I simply wish to say with respect to this bill, Mr. Chairman, that it is true it could have come before the committee last week. In the hour devoted to legislation of this type I took up some time of the house to emphasize the importance of the legislation with which we were then dealing.

Some hon. members of the committee have wondered why I did not take a stand on the original motion during private members' hour today consistent with the majority of the members of my party. First of all I would say we are dealing with private legislation and no responsibility exists, as far as I know, for party solidarity. Second, I wanted further information with respect to the decision of the energy board of the province of Alberta on the other bill. However, I wish to say that last week I had no intention whatsoever of delaying the progress of this bill relating to the Canadian Legion. On the contrary, in the veterans affairs committee I have given evidence of my interest in advancing the activities of this association.

Mr. Winch: Don't talk it out.

Mr. Benidickson: In view of what I have heard behind the scenes concerning my remarks last week on another bill of consequence I might say I felt obliged to vote as I

did. If I may say so, I did this with the full indulgence of my leader. We are anxious to expedite the passing of the Canadian Legion bill.

Preamble agreed to.

Title agreed to.

Bill reported, read the third time and passed.

THE CUMBERLAND RAILWAY AND COAL COMPANY AND THE SYDNEY AND LOUISBURG RAILWAY COMPANY

On the order:

House in committee on Bill No. S-19, respecting The Cumberland Railway and Coal Company and the Sydney and Louisburg Railway Company (Without amendment)—Mr. MacInnis.

Mr. Churchill: Mr. Speaker, I wonder whether the house would consider going on with Bill No. S-19, or is it contentious?

Some hon. Members: Agreed.

Some hon. Members: Six o'clock.

Mr. Benidickson: Will this bill take only a few minutes?

Some hon. Members: Six o'clock.

Mr. Speaker: It is not quite six o'clock. I think the motion should not be put in the absence of unanimous consent.

Mr. Churchill: Was unanimous consent not given?

Mr. Speaker: I think not. There was objection on my left.

Mr. Crouse: Would you please tell us who was objecting, Mr. Speaker?

Mr. Howard: Mr. Speaker, the sponsor of the bill is not here. I think it requires more examination than could be given to it in a minute. The Minister of Veterans Affairs (Mr. Churchill) wants the rules adhered to.

Mr. Benidickson: There was not unanimous consent.

Mr. Speaker: Order. The hour for consideration of private and public bills having expired, the house will revert to the order of business which was interrupted at five o'clock.

BANK OF CANADA

CREATION OF VACANCY IN OFFICE OF GOVERNOR

Hon. Gordon Churchill (for the Minister of Finance) moved that the house go into committee to consider Bill No. C-114, respecting the Bank of Canada.

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

[Mr. Benidickson.]

The Chairman: Order. House in committee of the whole on Bill No. C-114, respecting the Bank of Canada. Shall clause 1 carry?

Some hon. Members: Carried.

Mr. Benidickson: Mr. Chairman, may we call it six o'clock?

At six o'clock the committee took recess.

AFTER RECESS

The committee resumed at 7.30 p.m.

On clause 1—*Office of governor deemed vacant.*

Mr. Pearson: We are now in committee stage on this short but very important bill which deals with the office of the governor of the Bank of Canada and which states that it shall be deemed to have become vacant "immediately upon the coming into force of this act". That is all, but that is a lot.

In the first place, I should like to point out, in contradiction to some of the things which were said about this office of governor this afternoon, that the governor of the Bank of Canada is not a civil servant. A lot of the argument which was based on that this afternoon has, of course, no validity at all. I should also like to point out that this bill, in a sense, though in a very wrong sense, does represent an acceptance by the government of some responsibility, if not for monetary policy, then at least for the governor of the Bank of Canada. This afternoon we heard an extraordinary statement from the Secretary of State—extraordinary in relation to the statements we have heard from the Minister of Finance—that the government does, indeed, have responsibility for monetary policy and, in that sense, for the governor of the Bank of Canada whose office is to be vacated as a result of this bill. I say this was a most extraordinary statement because it has been denied vehemently and repeatedly by the Minister of Finance. Perhaps those two ministers might get together in the interest of cabinet solidarity and decide what is the position of the government in this vital matter.

In committee we can ask some questions. I know this is a procedure which is deprecated by the hon. member for Edmonton West who objected to having this matter sent to a committee—not, of course, to the committee of the whole, but to a committee—because it would mean that "the bully boys of the Liberal party," which I think was the expression he used, would ask questions. To him it was a terrible thing that the masses

of Tories in committee were going to be overridden by the bully boys in the Liberal party, so little confidence has he, apparently, in the ability of the majority to take care of itself.

We are in committee now. I can assure the hon. member for Edmonton West we have no Machiavellian purpose in the questioning we intend to put to the minister. As a matter of fact, the hon. member carried Machiavellianism to absurd lengths this afternoon when he said this whole business which is now before us, this bill in committee, was nothing less than a subtle plot on the part of the Liberals to get rid of Mr. Coyne. That is a new interpretation of this issue. Mr. Coyne offended us, presumably, in the elections of 1957 and 1958 so we are getting rid of Mr. Coyne by luring him into this situation. That, Mr. Chairman, is something very new indeed, and in its absurdity it is only equalled by some of the statements the hon. member for Carleton made this afternoon.

On March 21, 1957, the hon. member for Eglinton—he was not then minister of finance—had this to say as reported in *Hansard* at page 2557:

—the Minister of Finance, so far as we are concerned—

He is speaking of the minister of finance of that day. The hon. member was talking about the Bank of Canada matters.

—is not going to hide behind the policy of the Bank of Canada. He is going to bear his own responsibility.

Well, the present Minister of Finance is going to bear his own responsibility in this matter today and we intend to examine him on this very short bill in a way which I hope will elicit or bring to light some of the issues in this matter which have not been brought to light so far, so that we may be enlightened with regard to some matters about which we have only had partial, subjective and prejudiced evidence. We are, of course, within our rights in cross-examining the minister on all aspects of this bill which is designed to vacate the office of the governor of the Bank of Canada. It would, of course, have been much easier, much more effective in every way, besides being fairer to the government and to the governor of the Bank of Canada if this matter could have been submitted to the kind of committee where all those concerned might have been questioned. That is not possible, but we have at least the opportunity in committee of the whole to question the minister himself. The minister will not, of course, object to that, because he himself invited it, and in order to anticipate any difficulty which might conceivably arise in the hours ahead I should like to put on record the words of the minister on this point as reported at page 7096 of *Hansard* of June 26. The hon. member for Timmins was speaking, and had this to say:

The Minister of Finance said that parliament must decide, but we must decide in the dark; we must decide blindly; we must decide just on the statement of the minister. We are not allowed even to get the minister before a committee where he can be cross-examined.

Then the minister replied:

Yes; you will have the committee of the whole after second reading—

For cross-examination, and that, of course, Mr. Chairman, is what we propose to do.

Mr. Benidickson: That is our present position.

Mr. Fleming (Eglinton): The hon. member is adding some words; he should not be attributing all the words to me.

Mr. Pearson: I am quoting exactly what the minister said at page 7096 of *Hansard*:

Yes; you will have the committee of the whole after second reading.

Mr. Fleming (Eglinton): The hon. member added the words "for cross-examination".

Mr. Pearson: Well, the hon. member for Timmins said:

We are not allowed even to get the minister before a committee where he can be cross-examined.

The Minister of Finance said:

Yes; you will have the committee of the whole after second reading.

For what purpose did the Minister of Finance think we were going to have the committee of the whole after second reading except that of the cross-examination referred to by the hon. member for Timmins.

Mr. Benidickson: Just one-sided.

Mr. Pearson: It is, of course, a one-sided examination but we shall do the best we can with it in the absence of other witnesses who might be able to throw some light on these matters.

Now, Mr. Chairman, this matter was first brought into the House of Commons on June 14 as found at page 6326 of *Hansard*. The Minister of Justice intervened at that time and had this to say:

Legislation to amend the Bank of Canada Act itself will be introduced shortly.

That was a plain and categorical statement but like so many statements which come from hon. members on the treasury benches, it had no foundation whatever in fact because this is not legislation to amend the Bank of Canada Act which the Minister of Justice said would be introduced shortly. It

is not even legislation which had been introduced shortly. If the government had been anxious to clear up this matter quickly they would have introduced this legislation at once; they would have allowed it to go before a committee. It could have been dealt with in committee; it could have been brought up and dealt with on third reading and the matter would have been cleared up one way or the other. That was not done. It has been allowed to drag on. On June 14 the Minister of Justice said that legislation to amend the Bank of Canada Act itself would be introduced shortly. We have not got that, and apparently there was never an attempt to do that. That was just an argument made by the Minister of Justice. The legislation we have is merely this:

The office of governor of the Bank of Canada shall be deemed to have become vacant immediately upon the coming into force of this act.

I repeat "shall be deemed to have become vacant". This is an office not of a civil servant but of a high public official appointed not at pleasure but for good conduct, which office will be deemed to have become vacant by an act of parliament, if it is passed by parliament.

There are lawyers who have already said that an office which has been vacated in this way by an act of parliament can be filled only by an act of parliament. I leave the lawyers to argue that and perhaps we shall have some argument on it before the evening is over. But I ask the government and the minister why the Bank of Canada Act itself was not amended to deal with this matter, as the Minister of Justice said it would be? Why was it done in this way? If this crisis had to arise—and it did not have to arise but the government assured that it did arise—if this situation had to be dealt with by legislation—and the government again assured that it had to be dealt with by legislation—why was not advantage taken of this unhappy opportunity to amend the Bank of Canada Act so that a situation of this kind could not arise in the future? That was not done. The government preferred to operate in this other way.

Why was our Bank of Canada Act not brought into conformity with the bank of England act under which a situation of this kind could not arise? There the minister of finance, or the chancellor of the exchequer, who is responsible in this area of policy, may, in a dispute with the governor of the bank of England, impose his views on the government of the day on monetary policy in writing, and if the governor of the bank of England disagrees and there is no way of resolving that disagreement, he resigns in writing and his resignation can become the subject of public and parliamentary information and discussion.

In this situation the responsibility for monetary policy is firmly fixed on the government, as the Secretary of State said this afternoon it should be fixed on the government, and as the Minister of Finance said yesterday it was not fixed on the government. The governor of the Bank of Canada who is being thrown out of his jobs by this bill without a hearing before the parliament which is throwing him out of his job has written, "the bank"—that is, the Bank of Canada—"must take into consideration any views on monetary policy expressed by the government and in the event of a sufficiently serious difference of opinion on a matter of an important point of policy it would be the duty of the governor to resign". That, of course, is a doctrine we accepted long before the present government paid even lip service to it, but in this case, Mr. Chairman, the governor of the Bank of Canada denied that there is the kind of dispute that justifies this type of legislation. He asks for evidence to refute the statements he has made. He asks for a hearing before this kind of legislation is passed.

The idea expressed by the governor of the Bank of Canada, which is the idea we have expressed in this house, is a sound one and embodying this idea—and this might have been done at this time to avoid this kind of unhappy crisis in the future—the bank of England act reads, and I quote section 4(1):

The treasury may from time to time give such directions to the bank as, after consultation with the governor of the bank, they think necessary in the public interest.

Does the minister accept that as the responsibility of the government? He does not; the Secretary of State does.

Section 4(2) reads:

Subject to any such directions, the affairs of the bank shall be managed by the board of directors in accordance with such provisions (if any) in that behalf as may be continued in any charter of the bank for the time being in force and any bylaws made thereunder.

Instead of that kind of approach to this situation, when the government by its policy and by its tactics made such a situation inevitable, the government preferred to bring in the kind of bill we have before us. They preferred to declare this office vacant, by this bill and to discharge a high public official who holds office not at pleasure. I heard the hon. member for Carleton this afternoon try to assimilate the position of the governor of the Bank of Canada with a military officer who might be discharged in wartime. Of all the fantastic comparisons that probably is

the most ridiculous that has been made in this house for many years. No doubt he brought that particular military officer into his argument because that officer ran once as a Liberal candidate. But the idea that a public official such as the governor of the Bank of Canada holding his office on good behaviour should be assimilated to a military officer who should be discharged if he defaults in his duty in wartime, not by parliament but by the army or by the Department of National Defence, is just as ridiculous as the idea that a civil servant who has a protection, who has an appeal against injustice on dismissal should be assimilated with an official such as the governor of the Bank of Canada who holds his office on good behaviour, just as a judge holds his office on good behaviour and not as a deputy minister who holds his office at pleasure.

If you are to discharge by act of parliament as we are doing in this bill an official like the governor who holds his office on good behaviour, surely, Mr. Chairman, there must be evidence of misconduct to justify this kind of parliamentary action and the man who is charged with misconduct must surely be given a chance to defend himself before a committee of the parliament which is being asked to throw him out of his job. That is simple, elementary justice, and that is the issue in this bill. That justice has been denied to the governor whose office is being vacated by this bill and it is being denied without evidence having been brought forward to support the government's contention that there has been a fundamental difference of opinion between the governor and the government over all these years, a fundamental difference of policy discovered in the last month or two by the Minister of Finance who over the years before had been defending this governor against criticism from this side.

The Minister of Finance said in this house on February 21, as found at page 2266 of *Hansard*:

> Since this government came into office there has never been the slightest interference with the bank's monetary policy.

This afternoon we heard the hon. member for Carleton say that over all these years the governor of the bank has been frustrating the economic, fiscal and other policies of the government, including monetary policies, and in spite of all that the Minister of Finance says, "Since this government came into office there has never been the slightest interference with the bank's monetary policy". Why this sudden interference on May 30 to the extent of asking the governor of the bank to resign without an opportunity to appear before a committee of the House of Commons which is being asked by legislation to throw him out of his job?

On February 21, 1961, the minister said in the same debate, as found at page 2257 of *Hansard*, that the government's position regarding the Bank of Canada is comparable to that with regard to the Canadian Broadcasting Corporation and that the government must keep its hands off the latter. That was the minister's doctrine of non-interference until May 30, 1961. What happened then? We hope during this committee hearing to have some light thrown on what happened then. We were told again this afternoon that it was a question of irreconcilability in regard to questions of fiscal and monetary policies. We did not hear anything about this until the last two or three weeks, and in the charges which have been levelled by the minister in the last two or three weeks against the governor of the Bank of Canada, charges which we asked to be brought before a committee of this house so that all parties could deal with them, and some of which were mentioned this afternoon, there is one major and specific charge levelled by the minister against the governor of the bank which might, if it could be substantiated, justify the government in asking for the governor's resignation. Here is the charge that was made by the Minister of Finance the other day:

> That request—

This was the request made in 1957-58.

> —which was designed by the government to ease tight money—

This is an important charge, an important accusation.

> —was rejected by the governor firmly and angrily.

Let the minister, before this committee hearing is over, give us some evidence to support those words because we have no evidence. He has given us no evidence yet. On the contrary, on February 14, 1958, this was denied by the minister. I put these words on *Hansard* the other day and they bear repeating in respect of this one concrete, serious charge that the governor of the Bank of Canada rejected firmly and angrily a request from the government designed to ease tight money. On that point the Minister of Finance had this to say on February 14, 1958:

> Money is more plentiful, credit is somewhat easier and interest rates have been reduced to a remarkable extent in recent months.

Let the minister reconcile that statement with his charges levelled against the governor of the Bank of Canada, the main charge in his indictment which asks the House of Commons, because of that major charge, to pass an act of parliament, without referring

it to a committee, to throw the governor of the Bank of Canada out of his job.

Then there is the general charge which the minister repeated so often, and I quote it from page 6314 of *Hansard*, that the governor had "a rigid attitude on the maintenance of high interest rates". The minister has spent a lot of time in this house defending the governor and defending the government against our charge that there were high interest rates and trying to prove as recently as last February that those interest rates were lower than comparable rates in the United States and in the United Kingdom. Now he accuses the governor of the Bank of Canada of a rigid attitude on the maintenance of high interest rates.

Then, of course, we come to another clause in the indictment which has brought this bill before us, that the governor made speeches. That has been dealt with pretty effectively this afternoon. I will come back to the speeches a little later.

As far as interest rates are concerned, the minister said in February of this year, as found at page 2267 of *Hansard*, in an effort to exonerate the government and, indeed, to exonerate the governor from this charge of high interest rates:

> Interest rates are determined ... in this free economy in the light of thousands of transactions. It is a matter of the operation of the forces of supply and demand within quite limited statutory restrictions.

When the minister was specifically asked by the hon. member for Welland a couple of weeks ago, as found at page 6812 of *Hansard*, whether he had ever asked the governor to increase the money supply or to reduce interest rates he refused to reply. He said that was confidential information. We must not be told anything about that. Perhaps he will say something about that tonight.

We have also not only the minister's silence on this matter, not only the minister's contradiction of himself on this matter, but we have this sweeping denial of these charges by the governor in his statement of June 15 in which he said:

> I repeat again that at no time has the Minister of Finance criticized or expressed a difference of opinion with the monetary policy being pursued by the Bank of Canada which, the bank and its board of directors were entitled to assume, carried the tacit approval of the government.

Over all these years the governor of the bank and the directors of the bank carried on and the only criticism the bank received on its monetary policy was from this side. The minister defended the bank and the bank had every right to assume that its policy was in consonance with the policy of the government. Then suddenly on May 30 the governor has to resign.

[Mr. Pearson.]

If the Minister of Finance now states that Mr. Coyne would not follow expansionist money policies, that he would not follow the expansionist money policies of this recent budget which provided for $65 million of tax reduction for expansion, how does he explain his statement on February 21 as found at page 2265 of *Hansard*? These are all questions which I expect the minister to deal with in the course of this committee discussion. How does he explain his statement on that date about the increase of the money supply in 1960 over 1959? How does he explain this statement, as recorded at page 2266 of *Hansard* for February 21, 1961:

> The figure at December 31, 1960, is by far the largest on record and it is 5.5 per cent higher than the corresponding figure at the end of 1959.

Was the minister sincere? Was he telling the truth when he made that statement? If so, that means there was no disagreement between the governor and the government on the level of the money supply at least until February 21, 1961. What happened after that time? When the minister, according to his remarks reported at page 2267 of *Hansard*, defended the adequacy of interest rates and said that they were lower in Canada than in the United Kingdom and close to those of the United States, was he sincere? Was he telling the truth? If so, Mr. Chairman, there was no disagreement between the government and the governor on interest rates until after February 21, 1961.

When the minister, at page 2268, denied that the Bank of Canada had subordinated monetary policy to the interest of debt management, and when he defended the debt management policy of the government, including the conversion loan, was he sincere then? Was he telling the truth? If the answer is yes, then there was no disagreement between the government and the governor on the relations between debt management and monetary policy or on debt management policy itself. All of these things were fine in February of this year when we debated this matter. What has happened since that time to make the minister so drastically change his mind in regard to the policy of the governor of the bank that he had to throw him out of his job by an act of parliament without giving the governor a chance to be heard by a committee of this house?

When the Minister of Finance said a little earlier last year, on March 31, 1960, as reported at page 2673 of *Hansard*, that to contain inflationary pressures the government had reduced its borrowings and held a firm check on the expansion of government expenditures, was that in opposition to Mr.

Coyne's views? Did the government disapprove of the fact that the bank increased the money supply between April and October, 1958 to help the conversion loan?

Then, Mr. Chairman, leaving the minister for a moment, to expose the hollow hypocrisy of this present attack on the governor, let us look at the Prime Minister's remarks on the "Nation's Business" on October 8, 1959, at a time when hon. gentlemen opposite tell us now the difference between the governor and the government had become irreconcilable. Having stated at that time that the economic climate had changed from one of recession to one of dynamic recovery, phenomenal economic recovery, the Prime Minister went on to say that this made money harder and more costly than heretofore; that interest rates had materially increased because the commercial banks had restricted their lending operations. Did he blame this on the governor of the bank or Bank of Canada? He blamed it then on the commercial banks.

Then, the Prime Minister went on to say:

> In the first year after the government took office, there was a significant increase in the money supply in Canada. We were fighting recession.

This was the very year, that first year after he took office, that the Minister of Finance now tries to tell us he asked the governor of the Bank of Canada to increase the money supply and was firmly and angrily rejected by the governor of the bank. This is the main clause in his indictment against this governor whom he would now throw out of office without a chance of being heard before the banking and commerce committee of this house so that the governor could give his version of some of these statements.

The Prime Minister went on, in boasting about what the government had done to fight the recession by increasing the money supply, to say that it is the Bank of Canada, not the government that controls the money supply in Canada. From the end of June, 1957 until October 1, 1959, the Prime Minister and the Minister of Finance boasted that the money supply in chartered bank accounts had gone up from $11.5 billion to $13 billion and that in the past year the money supply had remained comparatively stable as a bulwark against inflation. Does that look as though the government were opposed to the policy of the Bank of Canada? The whole thing, Mr. Chairman, is arrant hypocrisy got together these last few weeks to buttress a case levelled against the governor of the Bank of Canada for some other reason, and to conceal the government's own confusion and their own ineptitude in the face of economic problems that were mounting.

There is no misconduct that can be levelled against the governor of the Bank of Canada who can be removed only for misconduct in monetary policy. Has there been any misconduct in what he has been saying in the last few years? If so would that justify his removal from office? Well, there was a meeting between the governor and the minister on March 18. We have heard quite a bit about that. At that meeting I believe the deputy minister of finance was present. I should like to ask the minister—and no doubt he will give us the information when he comes to reply to these questions—what were the subjects discussed during this meeting, other than the public speeches made by the governor? We know that the public speeches made by the governor were discussed. I ask the minister, did he personally object at that time to these speeches or did he make representations on behalf of his colleagues? What were those representations, and was this the first occasion, in March, 1961, that the Minister of Finance, either on his own behalf or on behalf of his colleagues, took exception to the speeches made by the governor of the Bank of Canada?

At page 6352 of *Hansard* for June 14, the minister is reported as saying:

> I have been told by certain members of the board of directors of the Bank of Canada, to whom the governor is in a certain sense responsible, that some of them had given him warnings about these speeches.

I wonder if the minister would mind elaborating on that a little bit? He had been told by some directors that they had been warning the governor about his speeches. In March, then, he told the governor to make no more speeches of this kind, after the governor had been speaking for some years on these subjects and certainly since 1959 and at a time when those speeches were questioned in this House of Commons by the opposition and not a word of criticism came from the government. There was nothing but a defence of the right of this man to make these speeches. Now, the minister has the effrontery to put this forward as one of the reasons why the governor should be thrown out of his job without a chance to be heard in his own defence before a committee of this house.

When the minister defended the right of the governor to make public speeches, as he did in February of this year, on the ground that Mr. Coyne was a citizen of a free country and the minister had no right of censorship, was the minister sincere at that time? Was he telling us the truth? If he was, Mr. Chairman, that means that until February 21, 1961 at least, the governor's speeches were not an issue. Why did they become an issue after February 21? Since on February 21, 1961 the minister had told the house he had

no right of censorship over the speeches of the governor of the Bank of Canada, when and why did he change his mind about this right of censorship which he repudiated a few short months ago? Since the minister now claims he had been for a long time of the opinion that these speeches were putting the government in an embarrassing position and that the bank was becoming a centre of political controversy, why did the minister wait until March, 1961 to raise the issue with the governor?

Having raised the issue on March 18, did the governor agree to remain silent and not make any more speeches? When the governor acepted the minister's request on March 18, could the minister expect from the governor any more than that? Did he not feel that the issue had been satisfactorily settled? If so, why did he drag it up on May 30 along with the pension? There are a good many other things we want to bring up in this committee discussion, Mr. Chairman. One is the relationship of the directors, not only to the governor over this issue but the relationship of the directors to the minister, and the contact that they had with the minister. It is quite clear that all contacts, and all communications, effective consultation and communication between the governor of the Bank of Canada and the minister, had disappeared over the years. I admit that it was an impossible arrangement. However, I believe that the minister had more to do with that responsibility and with that negative relationship, than had the governor himself.

But while that relationship did not exist between the governor and the minister, apparently a very close relationship existed between some of the directors of the board and the minister and perhaps the minister will explain that kind of relationship. But that kind of relationship was not close enough, so we are told now by the minister, to inform the minister that this Tory board of directors voted an increased pension to the governor of the Bank of Canada in February, 1960.

Under a pension committee headed by Mr. Bryden who had been working on this subject for a long time or for some months, this Tory subcommittee and this Tory board voted this increased pension to the governor of the Bank of Canada in February, 1960. Yet the minister now tells us he heard nothing about it until the spring of 1961. That is a shocking state of affairs. The assistant deputy minister was at the meeting of the board when the pensions were increased by this Tory board of directors. The deputy minister was at the next meeting when the minutes of the previous meeting were read out. The assistant deputy minister knew about it. The deputy minister knew about it. But the minister tells us he did not know about it.

Mr. Benidickson: The minister was not reading the minutes.

Mr. Pearson: Not knowing about it until the spring of 1961, on May 30, he raised this matter as one of the reasons why the governor of the Bank of Canada should immediately resign. And so the story goes, Mr. Chairman. There are a great many points we hope to raise during this committee discussion.

Mr. Drysdale: What about the oath of secrecy?

Mr. Pearson: Someone says "What about the oath of secrecy?" The minister has referred to many of these discussions in the House of Commons. This is the House of Commons. This House of Commons is being asked to take action by legislation to throw a man out of his job; I refer to the governor of the Bank of Canada. We have a right to find out what is behind this action and to get all the information. The minister himself says the House of Commons is a court of appeal. We have not only a right but a duty to get this information. We should have been very glad indeed if this matter could have been sent to a committee where it could have been gone into in great detail, where the witnesses could have been called. In the light of the report of that committee the House of Commons could then have been asked to take action. That committee, that evidence and that investigation are as much the right of the government as the governor of the Bank of Canada. Why is it that the government has flatly refused to allow this kind of investigation? What has it to hide? What has it to conceal?

Some hon. Members: Oh, Oh.

Mr. Benidickson: The minister is vulnerable.

Mr. Pearson: We are now in committee of the whole. In this committee of the whole the minister has invited cross-examination. May I say, Mr. Chairman, that he is going to get it.

Mr. Regier: Before the minister replies to the Leader of the Opposition I should like to ask him to include in his reply an answer to what appears to me to be a rather important matter. From the budget papers or the budget we have learned that the minister this year will have to apply to the money market of Canada for an amount in excess of $2 billion. This is to cover his ordinary operating loss as a result, as I have indicated previously, of poor housekeeping

in an amount of, as he put it, between $600 million and $700 million. This amount includes also hundreds of millions of dollars or almost a billion dollars in advances to the industrial development bank, the Central Mortgage and Housing Corporation, the unemployment insurance commission, the Canadian National Railways and the like. In addition, I understand there is about $1 billion of indebtedness of the government that is falling due within the current fiscal year.

Mr. Benidickson: What about the exchange?

Mr. Regier: In other words, as I add it up, the minister will have to appeal on the money market for an amount that equals roughly—

Mr. Churchill: The hon. member is out of order.

Mr. Regier: —a third of the budget of the minister, a little over $2 billion.

Mr. Bell (Carleton): The hon. member is inaccurate and out of order.

Mr. Regier: No; I am not inaccurate. I am only quoting back the actual statistics supplied to the house by the minister—

Mr. Benidickson: Just think of the gamble on the exchange fund.

Mr. Regier: —in his papers and in the speech he made. The parliamentary secretary will not deny that the minister admitted he was going to have an operating deficit of between $600 million and $700 million. The reports indicate that he will need $1 billion in order to meet the obligations of this government that are falling due in this fiscal year.

Mr. Churchill: I rise on a point of order, Mr. Chairman. The hon. member is dealing with matters which are not pertinent at all to the bill before the committee.

Mr. Regier: Speaking on the point of order, may I say this. I have now asserted that the minister will have these needs for the current fiscal year. What I should like to know is this. Have these needs been discussed with the governor of the Bank of Canada, the man most involved in meeting these needs of the government of the day? Is it possible that the governor of the Bank of Canada opposed the measures recommended by the government in order to meet this horrible obligation we are now facing in our national financial affairs?

Mr. Benidickson: The government did not dare present this bill to him.

Mr. Regier: I should like to know what advice the governor of the Bank of Canada gave to the government as to how to get itself out of this horrible mess. Is this maybe not the basic reason why the governor's head must now roll?

The minister has carefully avoided informing the Canadian people how he is intending to meet this unusual and unprecedented need of his. This need has not been exceeded by either the emergency of wartime or even the emergency caused by the bond conversion. This is a most exceptional need that the government has brought us to. Has this need been discussed with the governor of the Bank of Canada and is this at the root of the clash? Am I right in assuming that the governor of the Bank of Canada advised the government and the minister that the only way out of this predicament is a vast expansion of the economic life of the Canadian nation, and that this was the only possible way of either raising the money by means of borrowing without increasing interest rates or of avoiding inflation by adding to the amount of money in circulation? If I look over the releases—

Mr. Brunsden: I rise on a point of order, Mr. Chairman.

An hon. Member: Sit down.

Mr. Brunsden: The hon. member is asking a great many questions and giving no answers. Would he care to give some of the answers?

Mr. Regier: I am unable to give any of the answers—

Mr. Brunsden: Of course you are not able to give them.

Mr. Regier: —because this House of Commons has been denied the answers to some of these very basic and fundamental questions. We are being asked to dismiss an official, as we have been often told, of this parliament of Canada and yet we have not been given any evidence as to why that official of ours ought to be dismissed other than the bland assertions of the minister. We know the minister is a politician. We know he is doing his utmost to defend the mismanagement of the government as we have found it over the past four years. He has now come to the end of the line. I would like to know what consultations have been held with the governor of the Bank of Canada as to meeting the needs of the government in the current fiscal year in the field of borrowings or in the field of inflation.

I would also like to ask the minister to explain why, in replying to questions on orders of the day, he said he thought Mr. Rasminsky might have discussed the potential devaluation of the Canadian dollar with

officials of the international monetary fund on the day we were presented with the budget.

Did the minister in fact reveal to Mr. Rasminsky, a deputy governor of the Bank of Canada, the contents of the budget? If he did not, how could he say that he did not know; maybe Mr. Rasminsky discussed on that day with officials of the international monetary fund the implications of his proposals to devaluate the Canadian dollar. To me that was a very clear indication that Mr. Rasminsky was advised of the contents of the budget, and yet the minister has continually insisted that the governor of the bank was not consulted with regard to the contents of the budget.

There is something here that calls for an explanation. In my opinion the minister has no right to consult with a deputy governor of the Bank of Canada upon the contents of a proposed budget without having consulted with the governor of the Bank of Canada in the first place.

I would also like to have confirmation—

Mr. Benidickson: Maybe there was a conspiracy here.

Mr. Regier: —of what I understood to be the claim made by the minister some time ago, that he has already presented a number of budgets to this house without holding prior consultation as to the contents and the effects of such budgets with a man most responsible for the implementation of government policy, namely the governor of the Bank of Canada.

I would also like the minister to say whether or not he believes that a tie in and the closest co-ordination between monetary and fiscal policies are essential. If the minister will admit that they are essential, that the two cannot be divorced, why then is he suddenly so excited about the governor of the Bank of Canada taking an interest in the fiscal policy of the government?

It appears to me, as it did to hon. members of the other place as revealed in their report on manpower, and it has been advocated by many leading Canadians, that we must recognize the need for the closest tie in between monetary and fiscal policy. Hitherto the minister has always informed us that there is no relationship between the two; the government is responsible for fiscal policy, the governor of the Bank of Canada is responsible for monetary policy, and never the twain shall meet. It is now very obvious that they never have met. The governor of the Bank of Canada has at least realized the need for some correlation in this respect and he has advocated many measures of major consequence, with many of which, as we have often indicated, we do not agree; but at least he has acted as a responsible Canadian ought to have acted in the circumstances. The Minister of Finance has yet to prove himself to be a responsible Canadian in this regard.

Mr. Chevrier: Mr. Chairman, the Leader of the Opposition has pointed out during the course of his remarks the contradictions which were revealed this afternoon between some of the statements made by the Secretary of State and the minister, and also between statements made by the hon. member for Carleton and the minister. I should like to take a few moments to dwell on this feature of the discussion which took place this afternoon.

The Secretary of State in his speech made a number of statements which in my opinion are in complete contradiction with the minister and are in entire disagreement with him. For instance, at one stage he stated that the question was very simple: has the government the right to insist that monetary policy should be a function of the economic and fiscal policy of the government? He said, "This appears to me to be incontestable". A little later on he stated, "Monetary policy must be subordinated to national policy, for which the government alone is responsible".

I should like to refer the committee to some of the statements made by the Minister of Finance on Tuesday, February 21 of this year. As reported at page 2258 of *Hansard*, the minister said:

> I say that the responsibility owed by the Bank of Canada is to parliament. It is not an ultimate responsibility. It is a direct responsibility.

Further, at page 2260 of *Hansard* of the same day the minister stated:

> Can the government change the management of the bank? It cannot... The government has no power whatsoever, once appointments are made, to change them; only parliament can do that.

An hon. Member: That is right.

Another hon. Member: That is what we are doing now.

Mr. Benidickson: Parliament includes the opposition.

Mr. Chevrier: Then again, at page 2262 of *Hansard* the minister stated:

> That will point very clearly to the fact that the government as such has no power to exercise over the Bank of Canada. It rests with parliament. Parliament can always alter the legislation. But short of that, the bank in these matters has the responsibility.

Still further, at page 2265 of *Hansard* the minister said:

> The government has not been given by parliament any power or authority over the bank or its senior officials or directors in that situation.

A little further down the page this statement appears:

The government has no voice whatever in this matter of money supply. Consequently, in whatever the Leader of the Opposition had to say yesterday by way of criticism in relation to money supply, those are matters over which the government has no control and whether or not the hon. gentleman realizes it—I think he must realize it—his criticisms were directed at the Bank of Canada and not at the government. The government has no power to add to or subtract from or change this money supply or currency that the Bank of Canada is given the sole power to create.

Mr. Hellyer: That is not what he said when interest rates were coming down.

Mr. Chevrier: That is so. Neither is that what the Secretary of State said this afternoon. I should like to ask the Minister of Finance if he agrees with this statement made by the Secretary of State this afternoon, which I took down:

(Translation):

I feel that the first question that should come to our mind is the following: Is the government justified or not in demanding that the monetary policy be subordinate to its economic and fiscal policy?

In my opinion, that is beyond all question.

(Text):

Does the Minister of Finance accept that opinion expressed by his colleague the Secretary of State?

I turn to the next statement made by the Secretary of State.

(Translation):

In other words, the Bank of Canada's monetary policy must be subordinate to the national policy for which the government is responsible, both before parliament and the people.

(Text):

Again, I ask the question: does the Minister of Finance agree with or accept this opinion expressed by his colleague the Secretary of State? Before I proceed further I think we should obtain from the Minister of Finance a reply to those two questions.

Mr. Fleming (Eglinton): We have had this evening a continuation of this afternoon's debate carried on, as far as hon. members opposite are concerned, just as though the bill had never been given second reading. The house, by its vote at five o'clock this afternoon, approved the principle of the bill, and the principle of the bill is, I take it, that the office of the governor of the Bank of Canada shall be deemed to become vacant on the coming into force of this act.

I can appreciate the problem of the Leader of the Opposition. He had already spoken in the debate on second reading and he could not making another speech this afternoon. He has taken advantage of the sitting of the committee this evening not for the purpose of seeking to make use of the committee procedure for the reasons for which this procedure was designed, but disregarding completely the effect of second reading this afternoon—

Mr. Pearson: I rise on a point of order. I take it, Mr. Chairman, that you do not need assistance from the Minister of Finance in deciding whether or not we are in order.

Mr. Fleming (Eglinton): Continuing my observations, Mr. Chairman, I say that most of what the Leader of the Opposition had to say in committee this evening was altogether out of order.

Mr. Pearson: On a point of order. That is a reflection on the Chair. I spoke, Mr. Chairman, and you did not interrupt me or call me to order. The Minister of Finance now says I was out of order. That is a reflection on yourself and I hope you will call the Minister of Finance to order.

The Chairman: I cannot agree with the Leader of the Opposition that the statement made by the minister was a reflection on the Chair, because it seems the general practice in this house to discuss whether some hon. members adhere to the rules or not. I did not take the remarks of the minister as raising a formal point of order and I shall therefore not go further. If a point of order should formally be raised I will deal with it.

Mr. Fleming (Eglinton): I had assumed that the Leader of the Opposition would tonight have brought forward his series of questions, and I am ready this evening to endeavour to the satisfaction of the committee, if I can, to answer any questions which are relevant to the clause of the bill, but I would observe that in this committee, at this committee stage, we are examining this particular clause, which happens to be the only clause in the bill, and that the house has already recorded its approval of the principle of this measure.

I was asked in the first place by the Leader of the Opposition why this bill had not been brought forward as an amendment to the Bank of Canada Act. I should have thought the reason was obvious. This is a bill brought forward for a particular purpose. It is not continuing legislation. It is not the kind of legislation which purports to have continuing effects in the future. Therefore it was deemed appropriate, in the light of the best legislative counsel available, to bring forward this measure as a separate bill, having regard to the fact that it has an immediate purpose.

As to the questions concerning such a situation in the future or other situations to which the present circumstances may give rise, I have already on another occasion

announced that the government will shortly be appointing a royal commission to study all questions relating to banking, including the Bank of Canada, credit, money and other questions in this country, and it will be within the purview of that royal commission to examine all questions in relation to the operation of the Bank of Canada which bear upon the need for any legislative change in the terms of that act.

Some of the questions asked tonight are obviously questions which I am precluded from answering in the way in which some of them were asked without divulging communications which are of a confidential nature. We have already faced this question with regard to several of the motions put forward by hon. members opposite for production of papers of interest at various stages of this subject. The house has reaffirmed the principle in relation to those motions that where communications are of a confidential nature, as are communications passing between the Minister of Finance on the one hand and the governor of the Bank of Canada on the other, that confidence must be preserved. I must respect the decision of the house in that regard. It would be very tempting indeed to follow the governor of the Bank of Canada in the course he has taken. He has felt himself at liberty to forget and ignore the confidential nature of some of the communications, which he has, without any leave whatever and in a very improper manner, made public.

I do not intend to follow that improper and irresponsible course. Communications which are confidential must have their confidential nature respected. The governor has chosen to make public certain things in those communications which he considers, evidently, might be of advantage to him. Perhaps there are communications which have passed between us which, for equal reasons, I might find it to my advantage and to the advantage of the government to make public in that way. But there is a principle involved here which must be respected not only for its intrinsic merit in this situation but for the sake of all future relationships between confidential advisers of the government and ministers of the crown.

Let me turn briefly in this regard to the question put by the hon. member for Burnaby-Coquitlam, because here is an example. That hon. member asked me specifically to disclose the advice given by Mr. Coyne to the government in relation to certain questions of debt management with respect to the money-raising program for the present year. It would be highly improper on my part to disclose advice given to me or to the government by the adviser in this respect, which is the Bank of Canada. I have to say that in this field of debt management the government takes its responsibility. I made that very clear when I spoke in this house on June 26. In the field of debt management, the Bank of Canada acts as adviser to the government. The government will take its responsibility for whatever advice it takes from its adviser and acts upon, or whatever advice it does not take and does not act upon. This is the responsibility of the government and that responsibility will be discharged. It would be very unfair either to the adviser in this particular case or the advisers of the government in other cases if ministers were to disclose in the house advice of a very confidential nature given to them in this regard.

Mr. Pearson: Hidden.

Mr. Fleming (Eglinton): Mr. Chairman, the Leader of the Opposition in one of his most senseless and unthinking interruptions says "hidden". Yes, Mr. Chairman, confidential advice to the government remains hidden and it remains hidden for very good reasons of public policy. It has always been so under our system of government.

Mr. Pearson: Until the Prime Minister disclosed it in 1958.

Mr. Fleming (Eglinton): Advice given to ministers by confidential advisers, Mr. Chairman, is of such a nature that that confidence must be respected; otherwise our system of government would break down. These are questions of public policy and it is the intention of the government to respect constitutional usage in this regard.

I was asked by the Leader of the Opposition some further questions in regard to the relationship of the government's program, this program which was announced in the budget, to the reasons given to the governor of the bank on May 30 for asking for his resignation. Hon. members by this time have had full opportunity to examine the program and to realize that this is a program of such a nature that two things stand out in it. First, that this program can not be implemented unless there is effective co-operation between the authorities in the fiscal and the monetary fields in Canada. I have made that very clear. I am asked tonight if I do not think it is proper that there should be co-operation. I certainly do think that co-operation is desirable. I certainly do think, Mr. Chairman, that we will not have, as the report of the Senate committee on employment said not long ago, and that we cannot have the effective use of those means that have been created for

dealing, broadly speaking, in the governmental sphere with our economic problems unless there is effective co-ordination of policy in the fiscal field with policy in the monetary field.

Mr. Chevrier: When was there not that co-ordination?

Mr. Benidickson: That has always been the situation.

Mr. Fleming (Eglinton): That has not been the situation.

Mr. Benidickson: Since when?

Mr. Fleming (Eglinton): For some considerable time.

Mr. Benidickson: What date?

Mr. Fleming (Eglinton): As I have already said and say again—

Mr. Benidickson: What date?

Mr. Pearson: Swallow your own words.

Mr. Fleming (Eglinton): I thought the hon. members had asked me questions which I was to answer.

Mr. Martin (Essex East): Since 1957?

Mr. Fleming (Eglinton): When I try to answer questions the agitated gentlemen are not interested in the answers at all. They are not interested in answers; they are not interested in information.

Mr. Hellyer: The minister is not giving information.

Mr. Fleming (Eglinton): I do not think they were ever interested in obtaining information on this subject. They do not seem very interested in it now.

An hon. Member: They have closed minds.

Mr. Fleming (Eglinton): I have said there were two reasons which stand out in the relationship between the government's program and the reasons given on May 30 to the governor for asking for his resignation. I have mentioned one, Mr. Chairman, the necessity for co-ordination and co-operation between those responsible in the monetary field and those responsible in the field of fiscal policy, and that, Mr. Chairman, means effective co-operation between the government, principally the Department of Finance, on the one hand, and the Bank of Canada on the other.

The other reason, Mr. Chairman, has been quite obvious to hon. members and that is that the kind of program we put forward, the comprehensive program that was put before the house in the budget speech, was quite at odds with the kind of approach the governor of the Bank of Canada had been declaring on his own behalf in his speeches on fiscal policy over a period of some 18 months, in the course of which he made public speeches numbering I believe, 13 altogether.

We have been over this subject before, Mr. Chairman, and I have had occasion to point out in detail to those who needed it—and I think it was very obvious without this detailed pointing up—it was obvious to all hon. members who were interested in approaching the question, what these fundamental differences were. I can take hon. members opposite back to the budget speech. After making the speech I concluded with a review of those fundamental difference, Mr. Chairman—I say fundamental differences—between the approach contained in the budget speech on the one hand and the approach to fiscal questions which the governor of the Bank of Canada has declared in this long series of public utterances on his part.

Mr. Chairman, those were the fundamental differences. It was quite clear that it would be quite out of keeping with respect for the sincerity with which the governor held these views that he declared to ask him then to put aside his views and to co-operate fully in the implementation of a program in which obviously he could not be expected to believe. Now, there was the situation. Back of this was a long history of the activities of the governor which had the effect of bringing the Bank of Canada into the realm of political controversy, not without assistance from the opposition in this house. Every time the governor of the bank made a speech outside the house which obviously was not in accord with government policy—

Mr. Martin (Essex East): Why did you not say so?

Mr. Fleming (Eglinton): —hon. members opposite were not slow to bring the question on to the floor of the house.

Mr. Martin (Essex East): Hear, hear.

Mr. Fleming (Eglinton): We had in 1960 and we had again in 1961 major debates in this house on supply motions in relation to fiscal and monetary policy, and in each case what gave rise to those debates, precipitated by amendments introduced by the opposition, were speeches made by the governor of the Bank of Canada which hon. members opposite sought to exploit to the embarrassment of the government, knowing full well that the governor spoke for himself and that he was declaring policy in the fiscal field, a field that belongs not to the Bank of Canada, but to the government, a very controversial field in our

political system and a field into which the governor ought not to have strayed, and because they knew—

Mr. Benidickson: But you said you would not reprimand him.

Mr. Fleming (Eglinton): —full well, Mr. Chairman, that the views declared by the governor of the Bank of Canada were at odds with the views of the government they brought them to the floor of this house. There would have been no point citing what the governor of the bank had to say outside if he were saying things that were in his proper sphere or saying things in accord with government policy. There would not have been any occasion for hon. members opposite to engage in this form of political exploitation of the excesses and of the errors of the governor of the Bank of Canada, but hon. members opposite, of course, were looking for every opportunity and so they involved this very important national institution, the Bank of Canada, in political controversy. Although they knew perfectly well that the governor spoke for himself and not for the government, they sought to embarrass the government in this way, and this went on and on. How the governor of the Bank of Canada could remain oblivious to this I will never understand. Anybody whose office is just across the road on Wellington street must surely have some passing familiarity with the contents of *Hansard*.

Mr. Martin (Essex East): He was encouraged by your defence of him.

Mr. Fleming (Eglinton): I did not defend the governor of the Bank of Canada, Mr. Chairman. I did not. I was not defending what the governor of the Bank of Canada said. There is the point, Mr. Chairman. I did not defend what the governor of the Bank of Canada said. Hon. members opposite were doing their best to pin on the government and principally through the Minister of Finance some association with or responsibility for what the governor of the Bank of Canada was saying. They knew perfectly well that I was not responsible for what he said.

Mr. Martin (Essex East): That is not what you said on February 21.

Mr. Fleming (Eglinton): When they talk about my defending the governor of the Bank of Canada, I have not defended what the governor of the Bank of Canada said. I made it very clear that I took no responsibility for what he said because I was never consulted about what he did say or about his acceptance of engagements to deliver public addresses. Never was I consulted. Never did I know when the next speech was coming. I did not know at any time. Consequently, Mr. Chairman, I have taken no responsibility at any time for any of these speeches made by the governor of the Bank of Canada, and in doing so I have kept the record straight and I have invited the house to have regard for the proper areas of responsibility in the system created by parliament.

Mr. Benidickson: Mr. Chairman I rise, on a question of privilege. The Minister of Finance is a person for whom we have a right to hold a great deal of respect and certainly we would hope that what he says in one part of the session is going to be consistent with what he says—

Some hon. Members: Order.

Mr. Benidickson: —in another part of the session.

The Chairman: Order.

Mr. Benidickson: My question of privilege—

The Chairman: Order. I fail to see any question of privilege in trying to compare speeches made by the Minister of Finance. This is a matter for argument and the hon. member will have his turn in due course.

Mr. Benidickson: No, Mr. Chairman. At this point I suggest to you—

Some hon. Members: Order.

Mr. Benidickson: I am speaking on a question of privilege.

Mr. Fleming (Eglinton): Mr. Chairman, I think I have the floor and I am not yielding the floor to the hon. member for the purpose of questions because there are some questions ahead of his which I am trying to answer, and hon. members opposite will not prevent me from answering them.

The Chairman: Order.

Mr. Benidickson: I know you want to be fair, Mr. Chairman, and I want to be brief.

The Chairman: Order. Will the hon. member please resume his seat? I have indicated to the hon. member that if he wants to compare statements made by the Minister of Finance that would not be a question of privilege. If the hon. member is rising on something else I will hear him but I trust that if his purpose is the one I suspect it is he will not insist.

Mr. Benidickson: Mr. Chairman, my point was to refer you, sir—

Mr. Fleming (Eglinton): Mr. Chairman, your ruling is being defied.

Mr. Benidickson: My point was to refer you, sir, to page 2258 of *Hansard* of February

21, 1961 so that you may see whether or not the privileges of this house are being abused by what the Minister of Finance is now saying.

Mr. Fleming (Eglinton): Mr. Chairman, if I may continue to answer the questions which were asked earlier, I have made comments on this matter of the speeches which the governor made and which did embroil the Bank of Canada in political controversy. Let there be no doubt about its having been a political controversy because it was brought on the floor of the house by the opposition for the purpose of trying to embarrass the government. I do not think any person who is aware of what goes on in the country could possibly question that, least of all the opposition who are responsible for bringing these questions on the floor of the house.

Mr. Martin (Essex East): Why not?

Mr. Pickersgill: What is an opposition for?

Mr. Fleming (Eglinton): All right, they say they were entitled to bring them here but they are not entitled to have brought them here and then to say that the governor's statements have not involved the Bank of Canada in a political controversy. So, Mr. Chairman, I think it is not good conduct on the part of a public servant who is an officer of the Bank of Canada to embroil the institution of which he is the head in a political controversy. The Leader of the Opposition asked questions about what is good behaviour. I say it is not good behaviour for the governor of the Bank of Canada to embroil the Bank of Canada in a political controversy.

Before I leave this subject of the speeches, Mr. Chairman, let me make it very clear that both when I talked to the governor on March 18 and when I talked to him on May 30 the governor made it very clear that he took back nothing of what he had said in those speeches. He did tell me on one occasion that he was sorry they had caused the government embarrassment, but he made it very clear by the plainest assertion that he took back nothing of what he had said in those speeches.

The Leader of the Opposition asks the house to conclude that the offences were completely expiated because after March 18 the governor did not indulge in any more public speeches. I gave the house the reasons when I spoke in the house on June 26. He told me that he did not have any more public speaking engagements. This was at the same time as he was telling me that he took back nothing that he had said.

Mr. Martin (Essex East): You allowed this to go on for three years.

Governor of Bank of Canada

Mr. Fleming (Eglinton): Mr. Chairman, I will repeat what I have said on two previous occasions since the 13th of June and which I regret having to repeat again. I repeat it only because these questions tonight are repetitious. They are simply going over ground that has already been fully covered on more than one occasion. In relation to this matter of these speeches, I did not know at any time when more speeches were coming. The reason that I had some talk with the members of the board of the bank was that I felt they were the proper persons to take this matter in hand, and I did find that these directors were themselves becoming increasingly concerned over the way in which the governor in the course of his speeches was involved and was involving the bank in this whole realm of political controversy in the fiscal field.

I was asked to deal with the question of monetary policy and I would be pleased to deal with it because hon. members opposite have striven so hard to make it appear that there have been changes of view in this situation or that there have been differences of views on the part of government spokesmen. They are overlooking some of the essential facts which must be taken into account in this regard by anyone who makes any attempt at arriving at a fair judgment in these matters.

I went over this situation in my report to the house on June 26. I pointed out what happened in the winter of 1957-58. I had entertained the opinion when in opposition, and had so expressed myself in debate, that there was a responsibility on the part of the government in the field of monetary policy. Hon. members opposite have quoted what I said in this respect in a debate in the house in 1956. That was an opinion which I certainly held at that time. It was an opinion which I held when the Prime Minister invited me to become Minister of Finance in the new government. That was an opinion which I held when in that 1957-58 fall and winter I had my talk with the governor in this respect, and I have told the house about the discussion which we had. Reference was made tonight to page 7040 of *Hansard* where I said:

> In the winter of 1957-58 I conveyed to him a request—

This was not my idea; this was a request of the government which I conveyed to the governor.

> —for an easing of the requirements respecting the liquidity reserves of the chartered banks.

Here was one of the basic elements in the tight money policy which we had attacked

when we were in opposition. Then I proceeded, Mr. Chairman, as reported at page 7040 of *Hansard* for June 26, 1961:

> That request, which was designed by the government to ease tight money, was rejected by the governor firmly and angrily.

The Leader of the Opposition tonight has asked me to comment further on that subject. Well, Mr. Chairman, without going into the realm of communications between us, let me say that this meeting took place in my office on this floor in this building. There were several others from the Bank of Canada there besides the governor, and there was also the deputy minister of finance. I conveyed to the governor this request from the government. I told him it was from the government, Mr. Chairman. I have to tell you again that that request of the government was rejected firmly, yes, and angrily. It was made very clear, Mr. Chairman, and what has happened since in relation to monetary policy and what I have said since in this house in relation to monetary policy, has to be seen in that setting. It was made very clear to me in that meeting that the governor of the Bank of Canada felt quite free to reject requests of the government in relation to monetary measures. This was made very clear to me.

As I said speaking in the house on June 26, this brought me up pretty short, to be told firmly, flatly and angrily that this request from the government was rejected.

Mr. Hellyer: When was that?

Mr. Fleming (Eglinton): I said it was in the 1957-1958 period, in that range.

Mr. Hellyer: It took you four years to do anything about it, almost until the next general election.

Mr. Fleming (Eglinton): If the hon. member wishes to give the answers, Mr. Chairman, let him proceed. If he has the answers then I do not know why the Leader of the Opposition asked me for them. I am trying to answer the questions asked by the Leader of the Opposition. If the hon. member for Trinity has the answers that he thinks the Leader of the Opposition needs, why does he not take the Leader of the Opposition aside and give him all this information which the hon. member thinks he has?

The Chairman: I am sorry to interrupt the minister, but I must inform him that his time has expired.

Mr. Pearson: We have had a most extraordinary performance from the minister, and I will deal with one point at this moment. I will try to deal with some of the other points a little later. The minister, in these last five or ten minutes, got very vehement in order to vindicate himself of the charge that this angry rejection by the governor of the Bank of Canada of his request on behalf of the government for an easing of monetary matters was a false charge. He has said that he, on behalf of the government, asked the governor to do this and the governor angrily and firmly rejected this request.

A few moments ago I quoted from the Canadian Press story a statement by the minister, but perhaps it would be even more impressive if I quoted from *Hansard* of that period to show how, to use the ministers' favourite word, absurd and nonsensical his argument is. On January 25, 1958, as reported at page 3804 of *Hansard* a question was asked of the minister by the hon. member for Okanagan Boundary. The question reads:

> I should like to ask a question of the Minister of Finance. In view of the necessity for easing further the tight money policy, has the government given consideration to the need for easier credit and a reduction in the prevailing bank interest rates?

That is the kind of policy in which the minister now says he asked the governor of the Bank of Canada to co-operate and which was firmly and angrily rejected. I continue reading the question:

> I might add, Mr. Speaker, that I have added the word "further" after the word "easing" in the copy of the question which I sent to the minister as notice.

This was the reply of the Minister of Finance:

> I thank the hon. gentleman for sending me notice of his question. I did notice that the word "further" was very properly added to his question. The answer to his question is yes, the government has taken steps toward easing the former policy, easing credit and lowering interest rates in Canada during the last six months, and hopes to see this beneficial trend continue.

This was the policy for which the minister now claims the Bank of Canada was responsible, not the government.

Mr. Fleming (Eglinton): The hon. member is again mistaken.

Mr. Pearson: This is monetary policy. The governor having taken the action which the minister on this occasion boasted about, the minister now four years or three and a half years later says that the request was angrily and firmly rejected.

What did the minister say during the budget speech of that year referring to monetary events of the preceding year? What did he have to say about this matter in his speech on June 17, 1958, which he now says was so angrily and firmly rejected by the governor of the Bank of Canada? This is what the minister had to say as recorded at page 1234

of *Hansard* of that date in his review of monetary policy while presenting the budget:

> Monetary policy also changed in the latter part of 1957. The money supply was expanded rapidly after mid-August, and partly for this reason and partly because of a reduction of demand in certain credit fields, monetary conditions in Canada generally became easier and interest rates declined substantially. Banks have now for some time been in a position to meet all creditworthy demands for commercial and personal loans. Market rates of interest in almost all categories of borrowing have declined substantially.

Presumably, it is for that action, Mr. Chairman, in 1957 and 1958 that the governor of the Bank of Canada is to be fired without a trial in 1961.

Mr. Fleming (Eglinton): I should like to resume what I was saying by way of answer to the questions of the Leader of the Opposition, and I am indebted to him now for his intervention and for these references because they point out what I was in the process of saying. So far as the effect on the conditions to which he referred, such as interest rates, is concerned, there are elements in monetary policy and there are elements in fiscal policy that have a bearing on this area of our economic life. The results which we are seeking to achieve now in the program of easing interest rates in Canada, I pointed out, require co-operative action in both fields. What I was referring to in the first answer that the Leader of the Opposition ascribed to me tonight was what the government had done in the field of fiscal policy.

Mr. Pickersgill: Monetary policy.

Mr. Fleming (Eglinton): No, fiscal policy, Mr. Chairman; so far as monetary policy is concerned, from the time the governor made it clear to me that he took no direction, dictation or indeed requests from the government in relation to monetary policy, I gave the house information from time to time about money supply and questions of that kind. However, it was not for me, having regard to that situation, to take responsibility for the monetary policy. I took responsibility for fiscal policy, and what was done in that field, and that was our responsibility. I will defend what we did in the field of fiscal policy, but I am not going to have hon. members opposite ascribing to me things that have happened in a field in which I had no authority.

Let me take you back now, Mr. Chairman—

Mr. Hellyer: Will the minister permit a question?

Mr. Fleming (Eglinton): Mr. Chairman, first I wish to answer the Leader of the Opposition. No, I will not accept a question now. I will be glad to accept questions later, but if I may I should like to complete my answers to the earlier questions of the Leader of the Opposition.

I referred to this experience we had in the 1957-58 period and I have said on June 26 that that sent me scurrying to the statutes to examine them to see where authority lay.

Mr. Benidickson: Did you speak in the campaign of 1957 without looking at the statutes?

Mr. Fleming (Eglinton): I had to come to the conclusion, after an exhaustive study of the statute, that parliament had not given to the government authority over the Bank of Canada in relation to the question of money supply. I have drawn attention in this house during various debates to the terms of the Bank of Canada Act which give to the Bank of Canada and to the Bank of Canada alone the power to create money in Canada. Questions of money supply, therefore, are under the Bank of Canada.

Here was the situation from that point on. As I pointed out in speaking in this House of Commons on June 26, from that point on the governor of the Bank of Canada and other authorities in the bank were always ready to discuss monetary policy. They were always prepared to explain it and to defend it. But, Mr. Chairman, the stage had been set at the very beginning in this meeting of 1957-58. I have told the house frankly that in this situation we had to consider whether we would try to force the issue at that time, and we decided that we would try to live with this situation until December 31, 1961. I pointed out that we had co-operation from the bank authorities in the field of debt management, the servicing of the public debt and these other matters on which the bank acts as adviser. But, Mr. Chairman, in relation to monetary policy the relationship was established in that meeting in 1957-58 or towards the end of 1957 and that is the way in which the matter rested.

If we had been able to look into some crystal ball and had seen that we would be faced in the spring and early summer of 1961 with the situation which has now arisen, obviously we would not have waited. If we were going to have an issue like this raised in parliament, it would have been better had it been raised earlier. However, we thought this situation could be lived with and we were concerned, above all other things, that no harm should be done to the Bank of Canada because of its importance as a national institution.

Mr. Benidickson: Regardless of the economic growth and the unemployed.

Mr. Fleming (Eglinton): I just wish, Mr. Chairman, that some hon. members opposite

had had some of the same concern for the effectiveness of and the public respect for the Bank of Canada as an institution.

There is perhaps one other matter on which I have not yet touched. I think it was raised by the hon. member for Burnaby-Coquitlam in relation to the discussions between Mr. Rasminsky, deputy governor of the Bank of Canada and Canada's representative on the executive board of the international monetary fund at the time of the budget. This question was asked of me by the hon. member for Kenora-Rainy River on two occasions. I gave him an answer. He asked me to look into some further detailed aspects. I have obtained the information. I have brought it into the house each day now for a week but he has not asked me for it. Perhaps he will not mind if I give the information now—

Mr. Benidickson: I thought the minister would give it in due course.

Mr. Fleming (Eglinton): —in reply to the question raised by the hon. member for Burnaby-Coquitlam. The hon. member for Burnaby-Coquitlam said that there was no right to discuss budget questions with Mr. Rasminsky without the approval of the governor of the Bank of Canada. I agree. Mr. Rasminsky has been completely loyal to the institution that he serves. Mr. Rasminsky is the manager of the exchange fund which is a government fund. The government takes full responsibility for management of the exchange fund but the manager of it is Mr. Rasminsky.

Mr. Rasminsky was going to Washington at the time of the budget and I authorized him to acquaint Mr. Per Jacobsson, managing director of the international monetary fund, with the nature of the proposals in the budget in regard to the external value of the Canadian currency. In justice to Mr. Rasminsky I wish to make it very clear that he was not consulted about the budget as such. He was acquainted with the contents of two chapters in the budget in relation to the proposals in the budget in regard to the external value of the dollar so that he might discuss these with Mr. Per Jacobsson.

He had a confidential meeting with Mr. Jacobsson late in the afternoon of Tuesday, June 20. On Wednesday, June 21 there was a meeting of the executive board of the international monetary fund where Mr. Rasminsky, the budget then having been made public, was in a position to review with his fellow executive directors of the fund exactly what was proposed in the program announced in the budget speech in this regard.

That is the whole matter. When I was asked in the house questions or rather was not asked questions but was faced with an assertion by the hon. member for Bonavista-Twillingate later, based on a news report out of Washington on the basis of which he made an assertion that we were in trouble with the international monetary fund, I then made a firm denial and I repeat that denial now.

I think I have dealt with the questions that have been asked thus far, Mr. Chairman, I shall now be glad to answer any further questions hon. members may wish to ask. I think the hon. member for Trinity should probably have the first opportunity.

Mr. Pearson: Before the minister sits down, would he confirm—I think I have him right—that the exchange provisions of the budget were told the director of the international monetary fund, an international organization, before the budget was made public?

Mr. Fleming (Eglinton): Mr. Chairman, in confidence the general nature of the proposals were made known to Mr. Jacobsson late in the afternoon of Tuesday, June 20.

Mr. Benidickson: That is why I asked the question.

Mr. Fleming (Eglinton): Are you not a bright boy?

Some hon. Members: Oh, oh.

Mr. Chevrier: From what the minister has said in reply to questions put from this side of the chamber, it is quite clear that he has not only backwatered considerably during the course of this discussion,—

Mr. Fleming (Eglinton): Oh, no.

Mr. Chevrier: —that he has not only reversed himself but that he has also swallowed himself.

Mr. Fleming (Eglinton): Oh, no.

Mr. Chevrier: In the light of what the minister has just said, I would ask him to explain these statements which appear in answer to questions he was asked in the house. On November 13, 1957, he was asked this question by the then hon. member for Coast-Capilano:

> Mr. Speaker, I wish to direct a question to the Minister of Finance. Actually it is a repetition of a question he was asked last Monday in Oakville, which he refused to answer on the ground that he could not answer it outside the House of Commons. Since he is now inside the House of Commons I should like to ask him, has there been a clash of opinions between the Bank of Canada and the government on economic policy?
>
> Hon. Donald M. Fleming (Minister of Finance): I am not aware of anything that could be called a clash.

During the whole period that he has answered our questions he has left the impression that the comprehensive program of the

government, on the one hand, was not receiving co-operation and collaboration from the Bank of Canada, on the other.

On November 21, 1957 the then hon. member for Coast-Capilano asked this question:

> Mr. Speaker, may I direct a question to the Minister of Justice. Yesterday, in his absence, I put a question to the Minister of Finance about a C.B.C. report of a speech made by the Minister of Justice at the University of British Columbia. The Minister of Finance pleaded ignorance of what was in the mind of the Minister of Justice—
>
> Mr. Fleming: No, he did not.
>
> Mr. Sinclair: Now I should like to ask the Minister of Justice what are these definite steps which have been taken by a Conservative government to relax monetary restrictions of the Bank of Canada.
>
> Hon. E. D. Fulton (Minister of Justice): Mr. Speaker, I have not seen the dispatch on which the C.B.C. news story is based, but I understand it was a report of a speech which I made at the University of British Columbia on Tuesday. In the course of that speech I said the government had been moving in the matter of monetary policy and credit restrictions ever since we took office. I outlined the various measures we have taken, including the provision of $150 million of new credit for housing loans. I also pointed out that there had been continuous review of monetary policies and discussions with the Bank of Canada with regard to credit restrictions and monetary policy generally.
>
> I emphasized that the results of these discussions, and of the policies followed by this government since taking office, were now becoming evident in the reductions in interest rates which have been reported recently and which should do much to create an economic climate in which the restrictive trends initiated by the previous government would be reversed, and the Canadian economy could move forward again on that sound program of expansion which is the goal of this government.

How does the minister explain away that statement, together with the earlier answer which he himself gave? I come back to the two questions which I put to the minister earlier and which he did not answer. The questions were as to whether he agreed with two of the statements made by his colleague, the Secretary of State, which in my opinion, were clearly in complete contradiction to what the minister had said. I am now asking the minister, in the light of the two questions which I put on *Hansard*, whether he accepts the opinion of the Secretary of State in this respect.

Mr. Fleming (Eglinton): Mr. Chairman, let me begin with the matters raised by the hon. member regarding the 1957-58 period. The answer which the hon. member has quoted draws attention to some of the fiscal steps that were taken in that period which had the effect of easing conditions and relieving some of the rigours of the tight money policy.

Some hon. Members: Hear, hear.

Mr. Fleming (Eglinton): It was in August, 1957 that we moved first to provide $150 million under the provisions of the National Housing Act to assist in providing credit by way of mortgage loans for the construction of houses in Canada. The answer also refers to other measures that we had either taken or were in the course of taking in the fiscal field. Reference is made in one of the answers to what was being done in the monetary field. But here, Mr. Chairman, we are back again on the same question. It is true that the Bank of Canada was doing certain things in the monetary field. I have never said they were not. It is true that some of the things they did were parallel to what the government was doing in the fiscal field. But the government was not given control over monetary policy. It was not given authority over monetary policy. That is the point, and that point has not registered with hon. members opposite.

The hon. member for Laurier also asks me to make comment on the views expressed this afternoon by my colleague, the Secretary of State, in one of the most effective, forceful, eloquent and convincing speeches heard in the house for a long time. One of the things I enjoyed about that speech was the way it completely flattened out hon. members opposite.

Mr. Pearson: It flattened out the Minister of Finance too.

Mr. Fleming (Eglinton): Not at all. I am asked to make comment on this question. It brings one back to the question of responsibility in relation to monetary policy. I am sorry that the hon. member for Laurier thinks I did not deal with his question earlier. I thought I was dealing with it when I made comment on this matter of authority in this field.

The fact is—and here I am coming back to what I said in my report to the house on June 26—that if you have under the existing system, under the existing act, someone at the bank directing the affairs of the bank who is co-operative, then I suppose you can have, under the existing system and under the existing statute, the same kind of effective co-operation that you had when Mr. Graham Towers was governor of the bank.

These questions about the relative areas of responsibility, fiscal on the one hand and monetary on the other, did not arise in the days of Mr. Graham Towers' governorship except in an academic sense. He came to the banking and commerce committee on one occasion. My esteemed friend, the hon. member for Greenwood, asked him questions on this subject, but everyone knew that these were academic questions because there had been no situation in which the friction had arisen; in which there was lack of co-operation between the authorities in the fiscal field and the authorities in the monetary field.

It is only when you have a situation such as we have, to my very great regret, under the existing governor that you are thrown back on the provisions that parliament has written in the statute. The fact is that where you do not get co-operation; where you do not get people working together; where you do not get the effective meshing together of fiscal policy and monetary policy, then the Bank of Canada Act in its terms today does not give the government authority in this field. It gives the government power to appoint the governor, but not to remove him. It gives the government power to appoint directors, but not to remove them. I pointed this out in the debate in this house on February 22 last.

Hon. members opposite were told these things very plainly and the Leader of the Opposition and I had a debate on this subject. But there is the situation. If we are to be governed by the terms of the statute, then there is the situation where the government has no authority to impose, under the present system, its will on the Bank of Canada in relation to monetary policy.

Mr. Martin (Essex East): That is not what the Secretary of State said.

Mr. Fleming (Eglinton): That is not, hon. members opposite seem to agree, a desirable situation. It could only arise under the present statute where you have the chief authority at the bank going his own way. Here is where the division has come. We had to recognize these limitations on the authority of the government and hope that in due time there would be an opportunity to effect an improvement in that regard. I am quite sure that an improvement will be coming if parliament sees fit to adopt this present measure.

Mr. Benidickson: It has taken you four years to change the law.

Mr. Fleming (Eglinton): So far as needed improvements in the language of the statute are concerned, we will have the benefit of a detailed study by a royal commission of this and other questions in the banking field. So far as what is needed under the present system and under the present statute is concerned, that is an effective co-operation in the monetary and fiscal fields, I think we can look forward to that once this bill is adopted.

Mr. Regier: Mr. Chairman, I believe most of us will agree that we have been playing the game of round and round and round we go, especially when listening to the minister. However, as we play the game we occasionally make a slip. I do not wish to quote the minister inaccurately but I believe he told us a little while ago that on the afternoon of the day on which he presented the contents of the budget—which of course was brought down in the evening—Mr. Jacobsson, the head of the international monetary fund—who is not a Canadian but a foreigner—had been informed of the main tenor of a certain portion of the budget.

An hon. Member: That is right.

Mr. Regier: If I am wrong I hope the minister will immediately interrupt me. However, if I heard the minister correctly, I think in the light of all our parliamentary institutions and history the minister now owes his resignation as minister to the people of the country.

Mr. Benidickson: He has been wrong all along.

Mr. Regier: The minister can perhaps argue that he had reasons, and perhaps very good reasons in his opinion, for not revealing the contents of the budget to the governor of the Bank of Canada. He may advance reasons why he had every rightful cause to reveal certain portions of the budget to Mr. Rasminsky—

The Chairman: Order.

Mr. Regier: —but he has no excuse—

Some hon. Members: Order.

The Chairman: Order. I do not see how the hon. member can relate these remarks to the bill. It may be he can relate some of his remarks to this bill, but certainly not the subject he is pursuing at the moment. I say this because we are not concerned with the conduct of the minister. We are concerned with a very simple bill that has to do only with Mr. Coyne and not with the budget.

Mr. Chevrier: On the point of order, Mr. Chairman, the hon. gentleman, I submit to you with respect, has the right to do exactly what he is doing. He is replying to a statement made by the Minister of Finance who said that Mr. Jacobsson, as he calls him, had had certain discussions with Mr. Rasminsky in Washington concerning the monetary fund, and surely if the Minister of Finance had the right to give the details of those conversations in the committee, the hon. member who is speaking now has the right to deal with the same subject matter.

The Chairman: The hon. member replied to the remarks made by the minister. But now he is discussing whether this would bring about the resignation of the Minister of Finance. We are certainly not going to discuss this matter, which has no connection whatsoever with the bill which is before the committee. I will add this: up to now, practically everything has been allowed, but if

hon. members take advantage of the leniency of the Chair the Chair will have to be stricter in applying the rules.

Mr. Martin (Essex East): On the point of order, Mr. Chairman, may I respectfully suggest to you that the ruling which you seemed to have in mind was one which, I am sure, one would have had to contest. The Minister of Finance has said there is certain information which because of its very nature he cannot give to this committee. The minister referred to certain information which he would regard as privileged, information which would be of concern only to an official of the government of Canada and himself or other members of the government. Yet we have had now, as the hon. member for Burnaby-Coquitlam has pointed out, a revelation from the Minister of Finance that he gave information to the director of a foreign corporation, a corporation not having anything to do directly with the government of Canada. The hon. member for Burnaby-Coquitlam said that was a ground for asking for the resignation of the Minister of Finance. Then you made the observation, Mr. Chairman, that we were not concerned in this committee with the conduct of the Minister of Finance. I suggest, with great respect, that not only is this a matter which comes within our purview, but that the conduct of the Minister of Finance is very germane to this discussion. How can we discuss the conduct of the governor of the Bank of Canada, how can we discuss whether the government's contentions regarding that official are sound, unless we can examine the conduct of the Minister of Finance and of the government as a whole? If you, Mr. Chairman, were to take the position that the conduct of the Minister of Finance is not an issue, hon. gentlemen may not agree with what is said about that conduct, but if you take the position that we cannot discuss the conduct of the Minister of Finance, then not only are we being denied the right of a committee, but we are denied the right of free discussion in this committee of the whole.

Mr. Fleming (Eglinton): It is about time somebody made a comment on this make-believe exhibition on the part of the hon. member for Essex East. It is about time some limit was put on the humbug he has been offering the committee. The committee is being asked to believe now that there was disclosure of some budget secret in some improper way.

An hon. Member: You said it.

Mr. Fleming (Eglinton): The hon. member for Essex East, the Leader of the Opposition and the hon. member for Laurier—I leave out the hon. member for Bonavista-Twillingate—those three members were members of the previous government when it decided to make a change in the value of the dollar on two occasions—

Mr. Regier: Mr. Chairman, on a point of order—

Some hon. Members: Order.

The Chairman: The hon. member for Burnaby-Coquitlam rises on a point of order.

An hon. Member: The minister has the floor.

The Chairman: The hon. member for Essex East was discussing a point of order and I presumed the hon. minister was, too. Apparently it is very difficult to distinguish a speech from the discussion of a point of order. I understood that the minister was speaking to the point of order. If he is not, then of course, the hon. member for Burnaby-Coquitlam may continue his remarks, but in that case, before he does so, I think I should point out both to the hon. minister and to the hon. member for Essex East that if we were justified in discussing any extraneous matter which might come into the debate, forgetting completely the purpose for which we are now in committee, it would certainly not be a good rule to follow. I am not saying the hon. member for Burnaby-Coquitlam may not raise the question somewhere else or on some other occasion, but he may certainly not do so at this time, because anything that might happen would distract us from the purpose for which we are here.

Mr. Fleming (Eglinton): I was about to conclude what I was saying—

Some hon. Members: Sit down.

Mr. Fleming (Eglinton): —with respect to what the hon. member for Essex East said in raising his point of order. I am not saying whether or not it was a valid point of order. I am saying that it left an impression which needs to be corrected, and I do so with regard to the fact that on two occasions when hon. members opposite were in office the value of the Canadian dollar was changed, and it was changed in consultation with the international monetary fund before this information was made public in Canada—while it was still highly secret in Canada.

Mr. Regier: I hardly know whether to continue debating the point of order, whether to continue my original remarks or whether to speak to a question of privilege. However, this is a matter of the most serious consequence. It has been admitted by the minister in this debate that a non-Canadian has been informed of certain contents of the budget

before the Canadian parliament was informed of them. I feel this is a matter of such great significance that members of this parliament ought to consider this in the quieter moments of the night and that the house ought to deal with this tomorrow.

Therefore, I move:

That the committee rise, report progress and ask leave to deal with this question at the next sitting of the house.

Mr. Fleming (Eglinton): More obstruction.

Mr. Starr: Closure by the C.C.F.

Amendment (Mr. Regier) negatived: Yeas, 6; nays, 132.

Mr. Fleming (Eglinton): Before you announce the result of the vote, Mr. Chairman, I draw to your attention the fact that the hon. member for Ottawa West and the hon. member for Hull were in the house and did not vote. I would ask, therefore, that their votes be recorded in the negative.

Mr. Chevrier: Mr. Chairman—

The Chairman: Order. The hon. member for Hull is rising.

Mr. Caron: It was decided in 1926 when Mr. Bourassa remained in the house and refused to vote that an hon. member has the right to remain in the house and not vote. The minister has no right to raise this question at the present time.

Mr. Chevrier: Mr. Chairman, before beginning what I have to say I wish to tell the Minister of Finance at once that I resent the statement he made with reference to two hon. members on this side of the house.

Mr. Fleming (Eglinton): It is true.

Mr. Chevrier: My hon. friend says "it is true". Well, it is also true that the Prime Minister is not in his seat. This is a debate during which he should be present.

Mr. Fleming (Eglinton): In this instance it is not a case of his being in the house and not voting.

Mr. Chevrier: I come back to the two questions I asked the Minister of Finance earlier and which I submit he has not answered. I ask the minister whether he subscribes to the statement made by the Secretary of State in this part of his speech where he said:

(Translation):

I feel that the first question that should come to our mind is the following: Is the government justified or not in demanding that the monetary policy be subordinate to its economic and fiscal policy?

In my opinion, that is beyond all question.

(Text):

Does the minister subscribe to that opinion?

Mr. Fleming (Eglinton): I have dealt with that subject twice already; but I will be glad to do it a third time in deference to the hon. gentleman. What my colleague was saying in effect this afternoon was that monetary policy cannot be divorced and isolated from fiscal policy and the other ingredients that we embrace broadly in speaking on economic policy. I think that is right and I think that is one of the elements that we recognize as being necessary, that is, to say, effective co-operation in regard to the program which was announced in the budget speech.

The hon. member himself was good enough to quote some remarks I made in this house on June 21 and on other occasions in emphasizing that the responsibility and the authority rested in parliament and when parliament had not given to the government effective authority under the present legislation over monetary policy, or over the Bank of Canada in relation to monetary policy, then obviously if a situation like the present one should arise, there is only one thing the government can do and that is to come to parliament; and that is why the government has come to parliament.

Mr. Chevrier: Mr. Chairman, that is certainly not an answer and it is certainly a complete contradiction of what the minister said himself.

Mr. Fleming (Eglinton): Not at all.

Mr. Chevrier: Not on June 21, as he stated, but on February 21, 1961 when he said as reported at page 2258 of *Hansard*—

Mr. Fleming (Eglinton): I was speaking of February 21.

Mr. Chevrier: The minister said June 21.

Mr. Fleming (Eglinton): I am sorry; I meant to say February. I was referring to the debate we had on the supply motion in relation to economic policy.

Mr. Chevrier: Well, then, the statement made by the Minister of Finance on that occasion, and many statements made by him, were in complete contradiction of what was said here. I put this—

Mr. Fleming (Eglinton): The hon. member has not understood.

Mr. Chevrier: I certainly understand there has been a contradiction between what the hon. member has said tonight and what he said on February 21.

Mr. Fleming (Eglinton): No.

Mr. Chevrier: And what he said in the month of June.

Mr. Fleming (Eglinton): No, not a bit; relax.

Mr. Chevrier: I cite what the minister is reported to have said at page 2258 of *Hansard*:

I say that the responsibility owed by the Bank of Canada is to parliament. It is not an ultimate responsibility. It is a direct responsibility.

And then again:

The government has no power whatsoever, once appointments are made, to change them; only parliament can do that.

And still further;—

Mr. Fleming (Eglinton): That is exactly what I said tonight.

Mr. Chevrier: This is certainly in complete contradiction of what the Secretary of State has said.

Mr. Fleming (Eglinton): No.

Mr. Chevrier: It is.

Mr. Fleming (Eglinton): It is not.

Mr. Chevrier: Then I again ask the minister this question: Does he subscribe to this additional statement made by the Secretary of State?

(Translation):

In other words, the Bank of Canada's monetary policy must be subordinate to the national policy for which the government is responsible, both before parliament and the people.

(Text):

Mr. Fleming (Eglinton): Mr. Chairman, it is because of that fact that we are here asking parliament to take action in the situation.

Mr. Martin (Essex East): Mr. Chairman, it think the two questions which the hon. member for Laurier has asked, based upon excerpts from the speech this afternoon of the Secretary of State, touch one of the vital points in the matter before the house, and to which the Minister of Finance has addressed himself in such an unsatisfactory manner; for the fact is that the Minister of Finance today has reiterated his views as to the responsibility of the government in the field of monetary policy in a manner different from that of any other previous minister of finance.

Mr. Fleming (Eglinton): No.

Mr. Martin (Essex East): Different from Mr. Harris; different from Mr. Abbott; different from Mr. Ilsley; different from Mr. Dunning; different from Mr. Rhodes; different from Lord Cobbald; different from Mr. Towers; and different from the statement made in the banking and commerce committee in 1956 by the present governor of the bank.

Mr. Fleming (Eglinton): No.

Mr. Martin (Essex East): As the hon. member for Laurier has just pointed out, we have taken issue with the view which the Minister of Finance has stated as to the ultimate responsibility of government in our country regarding all policies taken by all agencies, including the Bank of Canada. We had a correct statement of the true constitutional position this afternoon by the Secretary of State. The hon. member for Laurier has quoted some statements from that speech in support of the position taken by the Secretary of State in this regard but we have a most amazing situation now. The Minister of Finance has persisted in his narrow, archaic view of the responsibility of the government, and he has that position directly challenged by the Secretary of State.

Under our constitutional practice that kind of division in the cabinet cannot go unnoticed and cannot be allowed, constitutionally, to be perpetuated. Under our constitution either the Secretary of State resigns or the Minister of Finance resigns. So there can be no doubt about the position of the Minister of Finance, the hon. member for Laurier has quoted from one observation made at page 2258 of *Hansard* of February 21 with regard to the minister's view of this matter, and I now quote another one which will be found at page 2256. I will then contrast it with some of the excerpts of the speech of the Secretary of State and if we are not then impressed with the disagreement between these two ministers I shall be very surprised.

An hon. Member: You will be surprised.

Mr. Martin (Essex East): An hon. gentleman says that I will be surprised. Hon. gentlemen are in such a following mood that no matter what the Minister of Finance does they will follow blindly, whether or not it is in the interests of the country. Here is what the Minister of Finance said—

Mr. Drysdale: On a point of order, Mr. Chairman—

The Chairman: Order.

Mr. Drysdale: I should like to raise a point of order. I understood that we were on the committee aspect of this particular bill, and I should like to read from May's Parliamentary Practice, 16th edition, which has this to say:

The function of a committee on a bill is to go through the text of the bill—

Mr. Pickersgill: What page?

Mr. Drysdale: Page 538;

The function of a committee on a bill is to go through the text of the bill clause by clause and, if necessary, word by word, with a view to making such amendments in it as may seem likely to render it more generally acceptable. The rules as to the admissibility of amendments are explained in detail ... below, but the general powers of a committee and the limitations by which it is bound should be clearly borne in mind.

1. A committee is bound by the decision of the house, given on second reading, in favour of the principle of the bill, and should not, therefore, amend the bill in a manner destructive of this principle.

It is my contention, Mr. Chairman, and I should like your ruling on this particular point, that we have gone over the principle

of the bill ad nauseam on second reading and the opposition are now assuming the guise of asking what they contend are questions. I have heard hardly any questions dealing with the bill. I think they know the principle and I would suggest that they are entitled to speak only to this particular clause of the bill. I suggest that the hon. member for Essex East is out of order in the way he is discussing this particular clause.

Mr. Martin (Essex East): Mr. Chairman, I am sure that you did not take this point of order seriously. I would simply point out that if the hon. gentleman's contention were to be accepted it would be a denial of what the Minister of Finance said would be afforded the members of the committee. First of all, we have been denied the right to go to a standing committee of this house and now that that has been decided the government through some of its spokesmen, and we have heard just one, is trying to restrict our right in the committee of the whole.

Mr. Drysdale: I am just seeking to enforce the rules.

Mr. Martin (Essex East): I am not saying that is the position you are supporting, Mr. Chairman, I am simply indicating by the intervention that has been made what is the obvious intent of the administration with regard to this debate. Not only are we going to be denied the right to examine the governor and the board of directors in a standing committee of this house—

Mr. Drysdale: You never attend committees.

Mr. Martin (Essex East): —but if members of the Conservative party in this house have their way we are going to be denied the right to pursue a line of interrogation of our own intent with the Minister of Finance.

Mr. Fleming (Eglinton): More play acting.

Mr. Martin (Essex East): I for one do not propose to have that kind of closure applied to me.

Mr. Fleming (Eglinton): Mock heroics.

The Chairman: Order. I thought the hon. member was speaking to the point of order. I certainly should like him to speak to the point which was raised by the hon. member for Burnaby-Richmond.

Mr. Drysdale: There is no answer.

The Chairman: I have indicated before my view that this is a very important question and I certainly should like the committee to give its views on this matter of the discussion in committee on clause 1 of a bill. Evidently this bill presents a special problem because there is only one clause, but since the point has been raised I would ask the hon. member for Essex East to discuss the merits or demerits of the point of order.

Mr. Martin (Essex East): Since you invite me, I do so. I had thought the point of order possessed so little merit that it did not require comment but since you have asked me I shall be very glad to do so. It will be recalled that this afternoon the Secretary of State made a speech in which he took a different position as to the responsibility of the government in the field of monetary policy—

Mr. Drysdale: On second reading.

Mr. Martin (Essex East): —in supporting the bill. In endeavouring to determine whether or not this bill should pass, the hon. member for Laurier has been trying to indicate a difference in point of view between the Minister of Finance and the Secretary of State. What I am now doing is pursuing that point by examining further other statements of the Secretary of State and relating them to the stated policy of the government in the monetary field as stated by the Minister of Finance.

Mr. Drysdale: Discuss the point of order.

Mr. Martin (Essex East): We have before us a bill of one clause and it is our practice on the first clause there is permitted the most general kind of discussion. On that point alone, of course, I would contend with confidence that there can be no doubt about the propriety of the kind of act in which I am now engaged—

Mr. Fleming (Eglinton): "Act" is right.

Mr. Martin (Essex East): —and which the Leader of the Opposition and the member for Laurier pursued earlier today. To take any other view, Mr. Chairman, and I am sure this would be very much in Your Honour's mind, would mean that the assurances given the house by the Minister of Finance before the bill was projected in its present form are now to be reneged on by the government giving support to the raising of a point of order that has all the elements, I say, of intended closure.

Mr. Drysdale: Have you anything on the point of order?

Mr. Fleming (Eglinton): More bunk.

Mr. Martin (Essex East): These lovers of freedom cannot stand by and listen to someone else. That is the reason they will not let Mr. Coyne go to the committee and be examined. We are called bully-boys but I think it is clear who are the bully-boys of the House of Commons tonight.

Some hon. Members: Hear, hear.

Some hon. Members: You are.

Mr. Martin (Essex East): First of all, the practice is that on the first clause the most general kind of discussion is permitted.

Mr. Drysdale: Cite some authority.

Mr. Pickersgill: Howard Green.

Mr. Martin (Essex East): In answer to repeated requests for a committee of the house to go into this whole matter, we were told by the government before the bill was brought forward that the committee of the whole house was the place where this question would be aired, this place referred to as the final court of appeal by the Minister of Finance on another occasion. Now, because I am endeavouring first of all to show what the Minister of Finance's view of the responsibility of the government in the field of monetary policy is, because I am endeavouring to establish that that is not the view of his colleague, the Secretary of State, and because that difference is of very great relevance to the whole issue involved in the bill, it cannot seriously be argued that this line of pursuit and this form of interrogation and commentary are not within our rules. That is my submission.

I would have thought, Mr. Chairman, that the point was so obvious that no one would dare raise it or that no one would cause us to dwell on it.

Mr. Drysdale: Mr. Chairman, if you will forgive me, I should like to raise the very obvious point that no one would dare raise. I refer again to May 16th edition, page 551 where reference is made to proceedings in committee of the whole house, in these words:

> Proceedings on a bill begin by the chairman calling the first clause. The calling of a clause by the chairman brings it under the consideration of the committee, but does not entitle a member to speak generally upon the clause, as there is no question before the committee until an amendment has been moved, or the question proposed "that the clause stand part of the bill".

The hon. member has referred to the Secretary of State speaking this afternoon on second reading of the bill and he seeks to use the minister's statements on second reading to enforce his right to speak now when we are examining the bill clause by clause. I would suggest there has been a great deal of latitude for hon. members to make every observation which they should have made on second reading and I think the time has now come when we should get down to the examination of the clause, whether we have to do it word by word or by whatever other method is necessary.

Mr. Denis: There is nothing at all in the clause.

Mr. Drysdale: Well, pass it.

The Chairman: Order. There is one point that remains doubtful in my mind, the assertion by the hon. member for Essex East that the Minister of Finance indicated that such a discussion would be pertinent. I would not wish to dismiss this without hearing what the Minister of Finance has to say on this particular point. If, of course, there is some agreement of some kind, I think it would be the duty of the Chair to accept it. Before I deal with the problem, perhaps the Minister of Finance would assist the Chair.

Mr. Fleming (Eglinton): There is no agreement of any kind, as is quite obvious, between the opposition and the government in this house. There is anything but agreement these days. In this regard, of course, the situation is that the house, by a decisive vote at five o'clock this afternoon, recorded its approval of the principle of the bill. The principle of the bill is, therefore, no longer in issue and remarks that relate to the principle of the bill are quite out of order in this committee.

Now, that leaves us on the clause, and the question then simply concerns the extent of the discussion on the clause of a bill. Even if there is, which I am not prepared to concede in the way in which the hon. member is arguing it, some latitude allowed on the first clause of a bill, the fact is that that latitude never has been regarded as extending to the reopening of the debate on the principle of the bill. This is what hon. members opposite are doing. They are quite within their rights, Mr. Chairman, in discussing matters related to the clause. They are quite at liberty to ask questions relating to the clause. As I said earlier, I will be happy to answer such questions as are relevant to the clause to the best of my ability.

Mr. Pearson: This clause about which the minister talks, and about which he is allowing us to ask him some questions, declares that the office of the Bank of Canada shall be deemed to have become vacant. This is the clause which discharges the governor of the Bank of Canada. We have the right in committee to try to ascertain the reasons for taking this action. We have already stated, Mr. Chairman, that if the government had seen fit to submit this matter to a committee of the house where witnesses could be called and evidence taken, that would be the best way to get the truth in connection with this matter. The government would not do that. The government now, by an act, and without a hearing, is going to discharge the governor.

The main reason the minister has given is that the government cannot co-operate with the governor in the field of monetary policy, among other things. This afternoon the Secretary of State said the government had

responsibility for monetary policy. The minister has said dozens of times that the government has no responsibility for monetary policy. Until we can find out whether the governor is, in fact, being thrown out of his job because he would not co-operate in regard to monetary policy, are we not right in trying to reconcile these differences of opinion between two members of the same government? Until we try to do that, how can we get to the heart of this charge that the governor of the bank would not co-operate with the government of the country in the field of monetary policy?

The Chairman: Is this still on the point of order?

Mr. Fleming (Eglinton): Yes, Mr. Chairman. I just wish to express, very respectfully, the hope that you would not entirely rule out of order what the hon. member for Essex East was saying a while ago—I mean within the last ten or 15 minutes—because he was so wrong I was hoping I would have the opportunity to put him right. He has misinterpreted what has been said in the past both by myself and other ministers of finance, including the minister of finance and prime minister in the recent Liberal administration.

Mr. Martin (Essex East): Do I understand now that I am saved by my classmate who takes issue with one of the backbenchers who sought to deny me the right to speak? Am I to be allowed to continue?

The Chairman: I do not believe the Minister of Finance intended to indicate a ruling. Again, if there is agreement, I am willing to follow it. We are still on the point of order, and I understand the hon. member for Laurier wishes to speak to the point of order.

Mr. Chevrier: I do have something to say in speaking to the point of order. However, the point of order has been made far easier by the statement which has been made by the Minister of Finance. The Minister of Finance has made a statement in which he has indicated clearly he is inviting the hon. member for Essex East to continue his argument. Therefore, by implication, he declares that that argument is in order.

However, I did not rise, sir, for the purpose of saying that. I rose to put on *Hansard*, in answer to what was said by the hon. member for Burnaby-Richmond, a statement which can be found in May's 16th edition, page 539, the first part of which the hon. member omitted to read. This citation reads, in part:

> It will be seen, however, that in spite of these limitations a committee has, in practice, considerable power over a bill. John Moore, a member of the Long Parliament states in his unpublished diary that "No committee can destroy a bill, but they may lay it down." Thus, while a bill cannot be withdrawn in committee, for this requires the leave of the house, a committee of the whole house can indirectly achieve this object by reporting progress, without asking leave to sit again, and so putting an end to its existence. This course is equivalent to refusing to proceed with the bill. Again, notwithstanding the rule which forbids the moving of an amendment which is destructive of the principle of the bill, there is nothing to prevent a committee of the whole house from negativing a clause or clauses, the omission of which may nullify or destroy the bill, and reporting the bill, as amended, to the house. In a standing committee, a motion may be moved "That the committee do not proceed further with the consideration of the bill", or an essential clause may be negatived. A standing committee has, in fact, disagreed to all the clauses of a bill and made a special report to the house.

An hon. Member: Read on.

Mr. Chevrier: The hon. member did not read what he should have read when he raised the point of order.

An hon. Member: There is another important paragraph.

Mr. Chevrier: The author comes to the conclusion that, in spite of the limitations to which the hon. member has referred, the committee still has considerable power over a bill. As has been stated already, this is a bill of an extraordinary nature. It is a bill with far-reaching effects. It is a bill which seeks to discharge, not an ordinary servant but a public servant of the crown and the greatest latitude I submit, with deference, should be allowed in the discussion of this matter. We should be allowed to put the questions which we intend to put and which we have now just begun to put so that we may get answers from the minister. With all respect, sir, I say that the hon. member for Essex East was in order in the discussion he was pursuing.

The Chairman: As I said before, this is a very difficult point of order. I have been thinking of the procedure which is followed generally without any formal objections being raised. I must say that I would have preferred the point to be raised on a bill other than this one. However, there is no doubt but that, the purpose of the committee is to examine the clauses of the bill one by one and the details of the bill are to be considered. I refer hon. members to standing order 78.

The problem raised is one of relevancy and not of procedure, as the hon. member for Laurier has suggested by citing this paragraph from May, page 539, the paragraph coming after the one which was quoted by the hon. member for Burnaby-Richmond. Standing order 59, paragraph 2 states that speeches in committee of the whole

must be strictly relevant to the item or clause under consideration. These are the two general rules that we find in our standing orders. There is, of course, the other general rule to the effect that we cannot revive or discuss a problem which has been disposed of by the house. The house has made a decision on the second reading of this bill or has reached a decision. It is therefore difficult to take it that in committee of the whole the same wide scope of debate should be allowed as is allowed on second reading when we are discussing the principle.

I will not say what is the exact scope of debate at this time. However, I should give some indication as to where I would think hon. members would be out of bounds, subject to clarification if necessary. For instance, I would say that many of the remarks made tonight have had to do with the principle of the bill which has been disposed of. I would think that these remarks would not be in order. I would say that reviving the debate on second reading in some points only for the purpose of trying to reconcile or to oppose views would not be in order. I would also say that reviewing the whole monetary or fiscal policy would be out of order unless these matters were related to the difference of opinion between the Minister of Finance and the governor of the Bank of Canada.

It has been pointed out that the most general kind of discussion is generally allowed on clause 1 of the bill. I will not subscribe to this rather sweeping statement. I have checked on *Hansard* in previous years. I note that general debate, not unlimited debate has been allowed on clause 1. No decision has been made as to the exact scope. I do not wish to go further than that for the time being. I suggest that a problem is presented here. If there is co-operation on all sides in an effort to be practical and not to revive the debate on second reading, I suggest that we can get along without making a formal ruling and without deciding that this practice has not been in accordance with the standing orders. I do not wish to say whether we should follow it now or whether a view should be expressed by the house that we should abandon it. For the time being I simply give this indication in asking the co-operation of all hon. members in order that the discussion may not extend too far afield.

Mr. Martin (Essex East): Mr. Chairman, I am speaking in opposition to this bill. The argument I am going to make is in opposition to the sole clause in this bill. As I had been indicating, the Minister of Finance, as found at page 2256 of *Hansard* for Tuesday, February 21, stated the following which I think is the most comprehensive statement he has made on this business of responsibility for monetary policy which, of course, goes to the very essence of the bill before us. This is the speech of the Minister of Finance:

> Mr. Speaker, I think that these are words that will help to put this subject into its proper focus and perspective. However, Mr. Speaker, the issue that the Liberal opposition has chosen to raise in this debate is an issue as to where responsibility lies with respect to monetary policy in Canada. The Leader of the Opposition has certainly striven to the utmost to create maximum confusion on this subject and then exploit it. Let me leave no doubt in the mind of any hon. member in this house, Mr. Speaker, the government is always prepared to assume its responsibility. It will always measure up to that responsibility and will hold itself accountable to parliament at all times. We have given abundant evidence of that respectful relationship. And, sir, so far as I am personally concerned in this relationship that the minister of finance has with the Bank of Canada, I also give the house full assurance that any matters on which the minister of finance has responsibility, has any duty cast upon him, so long as I have the honour to hold this office that responsibility will be accepted. There will be no attempt to deny or reduce it. But, Mr. Speaker, I am not going to pretend before this house that I have the power in certain areas that I do not, as minister of finance, possess. I do not think it is proper on an issue of this kind for the Leader of the Opposition to pretend that the power or authority which exists is held by the government or the minister of finance when in fact parliament has legislated otherwise. The government is not omnipotent; parliament is, within the terms of the British North America Act and federal jurisdiction. The government's power in all matters financial is derived from parliament; it depends upon enactments.
>
> Mr. Speaker, the Leader of the Opposition sought yesterday to create or present an issue as though it lay between the government and the Bank of Canada. I shall have something to say on this subject. I say, Mr. Speaker, and this is the keynote of what I am about to submit, that in the field of monetary policy parliament has given the essential authority to the Bank of Canada and not to the government or to the minister of finance. When we look for the place where power resides with respect to money supply in Canada we find that parliament has given no power to the government. Therefore, Mr. Speaker, when the Leader of the Opposition criticized monetary policy yesterday he was not, as he tried to represent, criticizing the government. He was criticizing the Bank of Canada.

Mr. Fleming (Eglinton): Go on; read the next sentence.

Mr. Martin (Essex East): All right. I shall read the next sentence. It has no relevancy; but if it will please my hon. friend to quote his further words I shall be glad to do so.

Mr. Fleming (Eglinton): Read on.

Mr. Martin (Essex East): Very well. I shall do so.

> The Leader of the Opposition added the pretence, for his own partisan purpose, that the government has responsibility.

That is precisely our position, namely that the government has ultimate responsibility.

We are supported in that position by the Secretary of State who said this afternoon as follows:

(Translation):

The minister is right, of course, when he says that their policies should be parallel and harmonious, but it is surely the duty of the government to take steps in order to ensure, while accepting responsibility for policies, that they are parallel and harmonious.

(Text):

Then the Secretary of State continued as follows, and I ask the Secretary of State to listen to this.

Mr. Fleming (Eglinton): It was a very good speech.

Mr. Martin (Essex East): The Secretary of State continued:

(Translation):

—I will give only a few quotations to prove clearly that all the parties represented in the House of Commons at that time expressed the unanimous opinion that the principle of that act was to subordinate the Bank of Canada's monetary policy to the economic and fiscal policy of the government itself.

(Text):

That statement is in direct contradiction to the statement of the Minister of Finance on February 21.

Mr. Fleming (Eglinton): Don't be so absurd.

Mr. Martin (Essex East): My hon. friend says, "Don't be absurd". I saw what happened today. I saw the Prime Minister and the Minister of Finance when the Secretary of State was speaking. The Minister of Finance looked over at the Secretary of State and he seemed to be saying to the Prime Minister, "Unbelievable".

Some hon. Members: Oh, oh.

Mr. Martin (Essex East): If it was not that, at any rate the Minister of Finance was so greatly embarrassed by that expression of disagreement by his colleague—

Mr. Fleming (Eglinton): Mr. Chairman, I rise on a question of order or privilege. The hon. member is asking the committee to believe that this afternoon I used the expression "Unbelievable". The expression that I conveyed by my looks and by my words this afternoon, so far as the speech of my colleague the Secretary of State was concerned, was "Admirable", "Magnificent".

An hon. Member: And contradictory.

Mr. Martin (Essex East): Of course, Mr. Chairman, you will recognize at once how improper this point of order was. In view of the character of this debate I express the hope that when a minister of the crown or any one of us takes issue with anything or raises points of order which are fictitious, the Chair will be vigilant in seeing that synthetic points of order like that one are not permitted to be pursued. What really happened, I think, was this and I perhaps did my hon. friend an injustice.

Mr. Fleming (Eglinton): You certainly did.

Mr. Martin (Essex East): The minister did not say "Unbelievable". When he heard the Secretary of State correctly state the relationship of the government in the field of monetary policy—

Mr. Fleming (Eglinton): No, you have not understood.

Mr. Martin (Essex East): —what he said to the Prime Minister was "Rubbish". I say in this instance the Secretary of State was not guilty of speaking rubbish. He was—

Mr. Fleming (Eglinton): You are though.

Mr. Martin (Essex East): —stating the correct position, a position that has been taken by every one of my hon. friend's predecessors. He is the only man occupying the post of minister of finance who has abdicated the responsibilities of government such as the one that concerns the Bank of Canada primarily and ultimately, as it should in this case, the government of Canada.

Mr. Fleming (Eglinton): Will the hon. member give me the floor for two minutes—

Some hon. Members: No.

Mr. Fleming (Eglinton): —to expose the hon. gentleman in the statement he has just made?

Mr. Martin (Essex East): Will my hon. friend give me the opportunity to reply to further observations he has made in this regard? He can have the floor afterwards.

Mr. Fleming (Eglinton): You are making statements that are just not true.

Mr. Martin (Essex East): Mr. Chairman, I am going to ask the Minister of Finance to contain himself. It is true his conduct is now being examined, but he should show the calm that is expected of one who by manner can prove he is not guilty.

Mr. Speakman: On a point of order, Mr. Chairman—

The Chairman: Order. The hon. member for Wetaskiwin is rising on a point of order.

Mr. Speakman: May I call to the attention of the hon. member for Essex East and the committee that standing order 59(2) says that the debate shall be relevant. May I quote from the bill. The explanatory note says:

The purpose of this bill is to provide that a vacancy—

And so on. I believe the hon. member for Essex East has departed very far from the purport of the bill.

Mr. Fleming (Eglinton): And farther still from the facts.

Mr. Martin (Essex East): Mr. Chairman, may I finish my argument and see whether I have departed very far from the bill.

The Chairman: Order. Before the hon. member continues may I just say this to him. I indicated some time ago that I did not consider relevant a discussion of the speeches made this afternoon with regard to certain points in order to ascertain whether or not they could be reconciled. I do not wish to lay down too strict a line. I am simply warning the hon. member that it seems to me he has not taken this view into consideration.

Mr. Martin (Essex East): Mr. Chairman, I am sure Your Honour will not take exception to what I am about to say. But I wish to say this, because this debate is by no means over. We intend in this house—

Mr. Fleming (Eglinton): In this house?

Mr. Martin (Essex East): —in this party to resort to every legitimate method open to us to ensure that we will not be denied the right of fully examining this matter in this committee of the whole to every possible extent.

An hon. Member: Sabotaging the government.

Mr. Martin (Essex East): Let that be regarded as a statement of our intention in this debate, no matter what the consequences are.

Mr. Grafftey: Filibuster.

Mr. Monteith (Perth): You are taking over, eh, Paul?

Mr. Martin (Essex East): The minister says what we have said now has no relevancy. Let us examine how futile this argument is.

Mr. Hees: Oh, oh, a new leader.

Mr. Martin (Essex East): Hon. gentlemen opposite, including the Minister of Transport—

Mr. Hees: Trade and commerce, Paul.

Mr. Martin (Essex East): —should be listening and trying to learn something.

Mr. Chevrier: He has been demoted. He is now the Minister of Trade and Commerce.

Mr. Martin (Essex East): This bill says:

> The office of governor of the Bank of Canada shall be deemed to have become vacant immediately upon the coming into force of this act.

I am opposed to this bill—

Some hon. Members: Oh, oh.

Mr. Martin (Essex East): Mr. Chairman, there are many ways of imposing closure and hon. gentlemen tonight—

Mr. Fleming (Eglinton): You know them all. You applied every one of them in 1956.

The Chairman: Order.

Mr. Martin (Essex East): —and hon. gentlemen tonight—

Some hon. Members: Order.

Mr. Benidickson: Run for the flag.

Mr. Martin (Essex East): Mr. Chairman, I know that you are going to take every precaution to see that we are given every opportunity of expressing our views. One way of imposing closure is by an overwhelming majority—

Mr. Grafftey: It is by filibustering.

Mr. Martin (Essex East): —of the government of Canada to prevent hon. members from expressing themselves. I want to serve notice on the Conservative party that none of us in the Liberal party is going to be denied the right of exposing this government in this matter to the public.

Some hon. Members: Hear, hear.

Mr. Ricard: It doesn't seem to have any effect on you.

Some hon. Members: Bravo.

Mr. Hees: Leader Paul.

Mr. Martin (Essex East): So that—

The Chairman: Order. The hon. member for Essex East has the floor.

Mr. Martin (Essex East): —our intentions in this regard will not come as a surprise, let me say we can stay here for weeks—

Some hon. Members: So can we.

Mr. Ricard: What do you think we are doing?

Some hon. Members: Hear, hear.

Mr. Martin (Essex East): —in order to entangle—

Mr. Drysdale: You are entangled already.

Mr. Martin (Essex East): —in order to disentangle and dissect, to demonstrate to the people of Canada the real truth behind this act; that the government is taking this way of getting rid of the governor of the Bank of Canada by way of a bill of attainder.

Mr. Grafftey: Threatened filibuster.

Mr. Benidickson: It was exchange operations; that was the reason for it.

Mr. Fleming (Eglinton): Mr. Chairman, may I ask the hon. member by what method he proposes, as he just said, to dissect the people of Canada?

Mr. Martin (Essex East): The removal of the governor from office can be requested on several grounds—

Some hon. Members: Ten thirty.

Mr. Martin (Essex East): It can be requested on the ground that he has pursued a monetary policy that is contrary to the policy of the government.

Mr. Drysdale: And violation of the oath of secrecy.

Mr. Martin (Essex East): What we are seeking to establish here is that this could not possibly arise in this instance because the Minister of Finance has said that this government under no condition is in any way responsible for monetary policy.

Some hon. Members: Ten thirty.

Mr. Martin (Essex East): That being the case, how can it be argued that the governor of the Bank of Canada should be removed because he has taken issue with the government in the field of monetary policy? That is the reason why the hon. member for Laurier has been contrasting the statement of the Secretary of State with the declared policy of the Minister of Finance. It is because these two statements are different and these two ministers differ that under our constitutional practice there is no doubt as to what should happen. That is that the Secretary of State or the Minister of Finance should resign. That is the clear, constitutional responsibility.

An hon. Member: Or the whole government.

Mr. Monteith (Perth): Don't hold your breath waiting for that to happen.

Mr. Martin (Essex East): I have no doubt that will not happen, because if there was ever a government that failed to have regard for its constitutional responsibility, it is this government that tonight seeks to impose its will upon the rest of us.

Mr. Benidickson: It was exchange operations.

Mr. Monteith (Perth): Paul, are you Wayne and Shuster?

Progress reported.

BUSINESS OF THE HOUSE

Mr. Churchill: Mr. Speaker, the business for tomorrow will be a continuation of the debate on Bill No. C-114, followed by the other legislative items that I announced last evening.

Mr. Fleming (Eglinton): I would not call that a debate.

At 10.30 p.m. the house adjourned, without question put, pursuant to special order.

ANSWER TO QUESTION

The following answer, deposited with the Clerk of the house, is printed in the official report of debates pursuant to standing order 39:

C.N.R. GRANTS IN LIEU OF TAX, HALIFAX

Question No. 263—**Mr. Morris:**

1. Does the Canadian National Railways pay grants to the city of Halifax in lieu of taxation on Canadian National Railways property?

2. If so, what is the formula used in the payment of such grants, and is the formula related to the so-called commercial tax rate or to the residential tax rate applied by the city of Halifax to taxpayers?

3. What was the total grant paid by the Canadian National Railways to the city of Halifax in lieu of taxation on Canadian National Railways properties in (a) 1956 (b) 1957 (c) 1958 (d) 1959 (e) 1960?

4. What was the total accepted value of Canadian National Railways properties on which the 1960 grant to the city of Halifax was based, what portion represented land, and what portion represented buildings?

Answer by: **Hon. Leon Balcer (Minister of Transport):**

The management of Canadian National Railways advise as follows:

Question

1. Yes.

2. Valuation: Railway roadway, according to average value of adjoining lands. Land, other than roadway, at actual value. Buildings, stations, freight sheds, offices, warehouses, elevators, hotels, roundhouses and machine repair and other shops at actual value.

Rate: 50 per cent of the merged average rate of taxation for the five year period immediately preceding the commencement year of the agreement. "Merged rate"—means the effective rate if the residential and commercial rates were not operative.

Note: Land and buildings thereon, under lease are excluded from the grant. Valuations are revised annually to allow for changes in holdings and leaseholds.

3. Railway: 1956, $75,000.00; 1957, $75,348.53; 1958, $75,615.81; 1959, $82,305.00; 1960, $84,884.37.

Hotels: 1956, $21,168.13; 1957, $21,278.58; 1958, $63,500.00; 1959, $63,500.00; 1960, $53,500.00.

House: 1956, $583.50; 1957, $729.25; 1958, $652.75; 1959, $727.35; 1960, $849.75.

Office Building: 1956, $9,013.93; 1957, $10,003.26; 1958, $10,003.26; 1959, $10,003.26; 1960, $10,217.86.

4. Grant: Land, $3,765,200; buildings, $1,727,560; Total, $5,492,760.

HOUSE OF COMMONS

Wednesday, July 5, 1961

The house met at 11 a.m.

AGRICULTURE AND COLONIZATION

Second report of standing committee on agriculture and colonization—Mr. McBain.

INCOME TAX ACT

NOTICE OF AMENDMENTS TO BE MOVED

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, may I, following the practice that I have adopted in these matters, ask leave to give the house notice of an amendment that I shall be introducing to Bill No. C-120, an act to amend the Income Tax Act when it is reached in committee. The amendment will be that the bill be amended by striking out lines 41 and 42 on page 7 thereof and substituting therefor the following:

—the year in which it was received, from duties that shall be deemed to have been performed by him in Canada in that year, unless it can be established, by subsequent—

The other change is simply a textual one. In clause 23 of the bill, line 33, at page 19, the word "is" should read "are".

EXTERNAL AFFAIRS

REPORT OF FIFTH MEETING OF CANADA-U.S. INTERPARLIAMENTARY GROUP

Mr. Speaker: By leave of the house may I table the report of the fifth meeting of the Canada-United States interparliamentary group held recently in Washington. These are copies in English and in French. I have not had an opportunity of speaking to the house leader or to hon. members about this report. In the past, however, it has been printed as an appendix to *Hansard*. If the Prime Minister would like to see that practice continued, this would be the appropriate time to deal with it.

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, I think this organization, unofficial as it is, since its inception two years ago has made an exceptional contribution to an understanding by legislators not only of Canada but of the United States of those problems that affect us. I am sure the house would want the inclusion of this report as an appendix to *Hansard* so there will be available to all hon. members a record of the outstanding deliberations that took place just recently.

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, I think it would be a good idea to put this report in as an appendix to *Hansard* as the record of a meeting which is another stage in the development of a piece of international machinery that could be of great benefit to both countries concerned.

Mr. Hazen Argue (Assiniboia): Mr. Speaker, we think it is appropriate that this report should be printed as an appendix to *Hansard*.

Mr. Speaker: Is it agreed, then, that the report now tabled be printed as an appendix to today's *Hansard*?

Some hon. Members: Agreed.

[*Editor's note: For text of report referred to above, see appendix A.*]

STARRED QUESTIONS

BOMARC LAUNCHING BASE, KAPUSKASING, ONT.

Question No. 429—**Mr. Habel:**

1. Was a man by the name of Donat Verrette employed as an engineer or in any other capacity in the Department of Defence Production in December 1959?
2. If so, was he engaged in making studies as to the possibility of establishing a Bomarc launching base at or near Kapuskasing, Ontario?
3. Did the department discuss such studies with the Rocheleau Construction and Engineering Company Limited of Hull, Que.?
4. If so, was there any discussion by the department of the possibility of granting a contract to this company?

Hon. Raymond O'Hurley (Minister of Defence Production): Mr. Speaker, the answer is as follows:

1. No one by the name of Donat Verrette was ever employed in the Department of Defence Production.

2. Not applicable.

3. Not applicable.

4. Not applicable.

BOMARC MISSILE BASE, MONT LAURIER—CONSTRUCTION CONTRACTS

Question No. 433—**Mr. Herridge:**

1. Have contracts been awarded for the initial construction of the Bomarc missile launching base near Mont Laurier?

Starred Questions

2. If so: (a) to what firms? (b) on what date? (c) what were the terms of each contract?
3. Were any of these contracts on a cost-plus basis?
4. If so: (a) which ones? (b) for what reason? (c) what work was to be performed on this basis?
5. Have any payments been made on these contracts to date?
6. If so: (a) on what contracts? (b) to what firms? (c) on what dates, and how much was paid on each date?
7. Have any payments been made under a cost-plus contract?
8. If so: (a) on what contracts? (b) to what firms? (c) on what dates, and how much was paid on each date?
9. Is any money owing for work performed to date?
10. If so, how much money, and to whom is it owed?

Hon. Raymond O'Hurley (Minister of Defence Production): Mr. Speaker the answer is as follows:

1. Yes.
2. (a) A. Janin & Co. Ltd., Montreal, Quebec.
   (b) July 29, 1960.
   (c) Firm price.
3. No.
4. Not applicable.
5. Yes.
6. (a) Construction of supporting facilities for R.C.A.F. Bomarc site, La Macaza.
   (b) See answer to (2) above.
   (c) A. Janin & Co. Ltd.

September 9, 1960	$ 166,355.10
October 10	520,639.98
November 15	322,995.85
December 13	513,178.57
January 10, 1961	223,009.24
February 14	319,935.64
March 13	303,344.08
April 14	296,223.14
May 16	229,534.65
June 26	255,272.51
	$3,150,488.76

7. Not applicable.
8. (a), (b), and (c)—not applicable.
9. No.
10. Not applicable.

APPLICATION FOR RAILWAY CONSTRUCTION, B.C.-YUKON

Question No. 434—**Mr. Howard:**

Has the Pacific Northern Railway Company made any application to the Canadian government for a licence to build a railway through any part of British Columbia or the Yukon Territory and, if so, what was the date of the application, the route covered, and the decision of the government with respect thereto?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, the answer to this question is that no such application has been received.

[Mr. Herridge.]

TEACHER'S RESIDENCE, CAUGHNAWAGA INDIAN RESERVE

Question No. 435—**Mr. Howard:**

1. Since January 1, 1957, has a teacher's residence been built on or for the Caughnawaga Indian reserve?
2. If so: (a) what was the cost of the building? (b) the name and address of the contractor? (c) was any of the material or work found to be defective or not in accordance with the specifications, and, if so, what are the details surrounding this?
3. What was the cost of bringing the residence up to standard or replacing the defective materials?

Hon. Ellen L. Fairclough (Minister of Citizenship and Immigration): Mr. Speaker, I would ask that this question be allowed to stand.

Mr. Speaker: Stand.

[*Later:*]

Mr. Y. R. Tassé (Parliamentary Secretary to the Minister of Public Works): Mr. Speaker, I wonder whether I might have permission to revert to question No. 435.

Mr. Speaker: Is that agreed?

Some hon. Members: Agreed.

Mr. Tassé: The answer to this question is as follows:

1. Yes.
2. (a) $77,765.38.
   (b) Simeon Marcil, St. Chrysostome, P.Q.
   (c) Yes. The building was inspected by departmental architects on June 14, 1961 and the deficiencies, all of which were minor, were noted.
3. The deficiencies are being corrected by the contractor at no cost to the department.

CHARTERED BANKS MERGER

Question No. 436—**Mr. Benidickson:**

1. Has the Minister of Finance been approached by any of the existing chartered banks with a view to exploring the possible approval of another banks' merger?
2. If so, which banks made such approach, and when was it made?

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, as I stated last week in reply to a similar question, there are no such applications. I have not received any.

SUMMONS FOR FAILURE TO ANSWER CENSUS QUESTIONS

Question No. 438—**Mr. Deschatelets:**

1. Has the minister any information to give to the house on a summons served on Mr. Jacques Roy, a Vancouver T.V. and radio commentator, in connection with his answers to questions on the census?
2. Would the minister advise whether this is the only case of summons being issued in connection with failure to answer questions on the census form?

Hon. George H. Hees (Minister of Trade and Commerce): Mr. Speaker, this case was heard in Vancouver court on Wednesday, June 28, 1961 and at the request of defence counsel was adjourned until Thursday, July 6, 1961 at 2.30 p.m. As the matter is sub judice it would be inappropriate for me to comment further.

This is the only case where proceedings are going forward at the moment. There are a small number of cases of refusal being investigated. The bureau is not interested in securing fines or imprisonment, but rather in securing the information required under the law. Every effort is made to avoid court action, which is taken only as a last resort.

NATIONAL MUSEUM—CITIZENSHIP OF EMPLOYEES

Question No. 439—**Mr. Herridge:**

1. As of March 10, 1959, did any employees of (a) the natural history branch (b) the human history branch, of the national museum, not hold British or Canadian citizenship?
2. If so, what were their names, the positions held, in what branch of the museum, on what date were they first employed, and what citizenship did each hold?
3. Are any of these people still employed by the museum?
4. If so, in what position and branch of the museum, and what are the duties of each?

Starred Questions

5. How many appointments have been made to the staffs of (a) the museum of natural history (b) the museum of human history, since March 10, 1959?
6. Have any of these persons not held Canadian or British citizenship at the time of their appointment?
7. If so: (a) what is the name of each such person? (b) in what branch is each employed, and what positions has each held on what dates? (c) What citizenship does each person hold?
8. Were any of these appointments to the museum staff not made through the usual civil service competition?
9. If so, (a) which ones (b) on what authority were they appointed, and on what date?

Hon. W. G. Dinsdale (Minister of Northern Affairs and National Resources): Mr. Speaker, the answer to part 1 is yes to both (a) and (b). The answer to part 3 is yes. The answer to part 5 is (a) 15 and (b) 12. The answer to part 6 is 2. The answer to part 8 is no. Part 9 is therefore not applicable.

The answers to parts 2, 4 and 7 are lengthy, and if it meets with the approval of the hon. member and the house, Mr. Speaker, may I have these answers printed in *Hansard*?

Mr. Speaker: Is that agreed?

Some hon. Members: Agreed.

[Editor's note: The answers referred to above are as follows:]

APPENDIX "A"

Q. 2

Name	Position Held	Branch of Museum	Date of Appointment	Citizenship	Duties
Crum, H.A.....	Biologist 3.....	Natural History	Sept. 20, 1954	American	(See Appendix "C" for duties)
Langston, W. Jr...	Biologist 4.....	"	Oct. 20, 1954	"	
MacNeish, R.S...	Biologist 5.....	Human History	June 20, 1949	"	
Oschinsky, L.....	Biologist 3.....	"	Sept. 2, 1958	"	
Balikci, A.....	Anthropologist 2.....	"	Oct. 29, 1954	Bulgarian	Resigned June 16, 1961
Twarecki, T.....	Technician 1.....	"	Dec. 2, 1958	Polish	Became Canadian citizen Feb. 58

Q. 7

APPENDIX "B"

Youngman, P.M..	Biologist 2.....	Natural History	Sept. 8, 1960	American	
Clarke, A.H.....	Biologist 3.....	"	Sept. 15, 1959	American	
DeBlois, A.D.....	Anthropologist 2.....	Human History	Sept. 15, 1960	American	

APPENDIX "C"

Duties Performed by Persons shown in Appendices A and B

Q. 2

H. A. Crum: Associate curator, cryptogamic botany: studies the taxonomy, ecology and distribution of Canadian bryophytes both in the field and in the laboratory; prepares for publication occasional papers and monographs based on original research; selects material to be retained in the cryptogamic herbarium and supervises the preparation and arrangement of specimens of mosses, liverworts, lichens and algae; improves the herbarium by restudying older collections and

revising determinations; makes material available for study through loans and exchanges; determines specimens for other botanists; answers inquiries from the public.

W. Langston, Jr.: Curator of vertebrate palaeontology: research on fossil vertebrates, including geological, taxonomic, anatomical and biological aspects; publication of scientific reports and popular articles in this field; supervision of the museum collection of fossil vertebrates, including acquisition, records, identification, labelling and arrangement; design and supervision of preparation of museum exhibits in vertebrate palaeontology, including the writing of labels; direction of the laboratory of vertebrate palaeontology, where specimens are prepared for study and exhibition (three preparators and one artist); direction of museum expeditions for the collection of fossils; maintenance of knowledge of recent advances in vertebrate palaeontology, through reading current literature and through contacts with other workers in Canada and abroad; delivering of popular lectures and radio and television expositions on fossils.

R. S. MacNeish: As senior archaeologist, to be responsible to the director for the planning of program, and the general administration of the archaeology section; to plan and carry out research in archaeology, including the preparation of reports; to advise the archaeological staff on their research; to be curator of the archaeology collection, and to supervise directly the work of the cataloguer and the storemen; to supervise from a scientific standpoint the preparation of archaeological exhibits; to prepare popular articles and give lectures in archaeology; to answer inquiries in archaeology from specialists and from the public.

L. Oschinsky: Under direction, to plan and carry out anthropological studies in various parts of Canada and to analyse material on this subject held in the national museum; to prepare technical correspondence, reports and scientific papers thereon; to provide guidance on exhibition of materials; as required, to assist with and present lectures or prepare educational information for the public; as required, to supervise professional and subordinate staff; to perform other related duties as required.

A. Balikci: To plan and carry out research in social anthropology and ethnography, including field work; to prepare reports on his research, and reviews of related work; to act as curator of parts of the ethnological collections; to assist in the preparation of ethnological exhibits; to answer inquiries in ethnology from specialists, and from the public; to prepare popular articles and to give lectures in his special field.

T. Twarecki: Under direction, to prepare and catalogue anthropological collections of the human history branch; to assist in the restoration work on all difficult material and to maintain proper storage conditions to protect specimens against decay, insects, drought and other forms of deterioration; to make materials available for exhibits and scientific study and to be responsible for the receiving and shipping of specimens; as required, to lecture on the restoration of specimens; to conduct correspondence in connection with the duties, and to perform other related duties as required.

Q. 7

P. M. Youngman: Under direction, to plan and undertake research and field investigations on Canadian mammals, particularly in the fields of taxonomy and distribution; to collect, identify, and direct the cataloguing and arrangement of mammal specimens in the collection; to supervise the use of the collection by others; to prepare scientific and popular reports on mammals; to give lectures; to represent the national museum at meetings dealing with mammalogy; to participate in the planning and preparation of exhibits of mammals.

A. H. Clarke, Jr.: Under direction of the chief of the zoology section to carry out research on the taxonomy, distribution and ecology of one or more phyla of invertebrate animals other than the arthropoda; to undertake field investigations on the invertebrate fauna of Canada, and to collect specimens for study and exhibition; to act as curator of part of the museum collection of invertebrates, including the mollusca; to prepare scientific reports and popular articles within the field of study; to give lectures and demonstrations; to assist in planning exhibits; to make routine identifications of invertebrates submitted by the public, other scientists and agencies; to perform other related duties.

A. D. DeBlois: To plan, organize and carry out studies in linguistics, which includes field work and the collection of material for, and supervision of, research; to present to the public by lectures, speeches or other media educational data concerning the subject matter; to prepare reports and manuscripts on this subject; to answer public inquiries and correspondence; to perform other related duties.

HOMER STEVENS—ISSUE OF DIPLOMATIC PASSPORT

Question No. 441—**Mr. Howard:**

Was a Mr. Homer Stevens, secretary treasurer of the United Fishermen and Allied Workers Union,

provided with a special diplomatic passport in 1957, and, if so, upon what date was the said passport issued, and for what purpose was it issued and used?

Hon. Howard C. Green (Secretary of State for External Affairs): Mr. Speaker, the answer to this question is no.

SOULANGES CANAL—TENDERS FOR PURCHASE OF EAST END

Question No. 442—**Mr. Chevrier:**

1. Did the Department of Transport receive tenders from industry in relation to the purchase of the east end of the Soulanges canal at Pointe des Cascades?
2. If so, what is the list of names, addresses, and amounts of such bidders?
3. How many employees are likely to be engaged in each case?
4. What action has the government taken on these tenders?

Hon. Leon Balcer (Minister of Transport): Stand.

[*Later:*]

Hon. Lionel Chevrier (Laurier): Mr. Speaker, may I bring to the attention of the Minister of Transport the fact that on Monday he indicated that he had received tenders. I wonder why he could not answer question No. 442 rather than having it stand.

Mr. Balcer: Mr. Speaker, when I said we had received tenders, that was the fact. We had received tenders, but we have received further tenders since then. We received one yesterday. In order to be able to answer questions of hon. gentlemen my officials have to process these tenders. I will answer this question as soon as we have the complete list for the hon. member.

Mr. Chevrier: The expiry date was June 30.

SOULANGES CANAL—LETTER RESPECTING SALE OF EAST END

Question No. 443—**Mr. Chevrier:**

1. Did the Minister of Transport receive a letter from the municipality of the village of Pointe des Cascades concerning the sale of the eastern end of the Soulanges canal?
2. On what date?
3. What was the purport of the letter?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, the answer to this question is as follows:

1. Yes, from the mayor of the municipality.
2. Received June 6, 1961.
3. The letter indicated that the members of the first council of the municipality of Pointe des Cascades incorporated June 1, 1961 objected to the sale of the canal property at Cascades Point to private interests and recommended that the Soulanges canal property be turned over gratuitously to the province of Quebec.

SOULANGES CANAL—RESOLUTION CONCERNING USE OF EAST END

Question No. 444—**Mr. Chevrier:**

1. Did the Minister of Transport receive a copy of a resolution passed by la commission d'expansion industrielle de Vaudreuil-Soulanges concerning the use of the eastern end of the Soulanges canal at Pointe des Cascades?
2. On what date?
3. What was the purport of the resolution?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, the answers to this question are as follows:

1. There is no record of any copy of a resolution adopted by la commission d'expansion industrielle de Vaudreuil-Soulanges having been received in the department.

2 and 3. Not applicable.

QUESTIONS PASSED AS ORDERS FOR RETURNS

GRANTS TO INCORPORATED COMPANIES

Question No. 240—**Mr. Howard:**

1. Since January 1, 1950, have any grants been paid to incorporated companies other than crown corporations?
2. If so, with respect to each such company, what is (a) its name, address, and type of business (b) the amount of the grant by period of payment (c) the total amount paid to date (d) the expiry date of the grant (e) the authority for such payment (f) date upon which each grant came into effect (g) the date and nature of any change in the grant?

SUBVENTION PAYMENTS TO INCORPORATED COMPANIES

Question No. 281—**Mr. Howard:**

1. Since January 1, 1950, have any subventions been paid to any incorporated companies other than crown corporations?
2. If so, with respect to each such company, what is (a) the amount of the subvention by period of payment (b) the total amount paid to date (c) its name, address, and type of business (d) the expiry date, if any, of the subvention (e) the authority for each such payment (f) the date upon which each subvention came into effect (g) the date and nature of any change in the subventions?

He said: Mr. Speaker, I wonder if I might be permitted to mention this matter. This request by the minister for orders for returns relates to questions of mine. There is a third question of a similar nature, No. 282. I wonder whether this would not be in the same category and if it should not be made an order for return.

Hon. Noel Dorion (Secretary of State): Mr. Speaker, question No. 282 applies to loans over an 11-year period to companies other than crown corporations, and requests the details of each. To supply this information would involve unreasonable labour and expense on the part of at least one department.

In Central Mortgage and Housing Corporation, for example, it would involve the examination of thousands of accounts over an 11-year period. For this reason it does not seem to be appropriate to suggest that the question, as it now stands, be made an order for return.

BUSINESS OF THE HOUSE

CONSIDERATION OF MOTION FOR PAPERS APPEARING IN "VOTES AND PROCEEDINGS"

Mr. J. A. McGrath (St. John's East): Before orders of the day are called, may I ask for the unanimous consent of the house for leave to proceed with two notices of motion for the production of papers standing in my name to be found at the back of today's *Votes and Proceedings*?

Mr. Gerard Loiselle (St. Ann): In the same way as the previous speaker I also would ask unanimous consent to move the notice of motion for the production of papers which appears in my name in today's *Votes and Proceedings*.

Mr. Speaker: Is there any objection to proceeding with the three notices of motion for the production of papers which appear at the back of today's *Votes and Proceedings*, two in the name of the hon. member for St. John's East and one in the name of the hon. member for St. Ann?

Hon. Donald M. Fleming (Minister of Finance): Before you ask the house for that consent, Mr. Speaker, I wonder whether we might have a moment to look at these. We have not seen them yet.

Mr. Speaker: The hon. members spoke to me about these questions. I understood that each had been discussed with the minister concerned and that there had been no objection.

Hon. Leon Balcer (Minister of Transport): If I understood the hon. member correctly, he mentioned this motion, No. 155, for a copy of plans and the agreement made on May 19, 1961 between the city of Montreal and the national harbours board relating to the Champlain bridge approaches, the Pointe St. Charles dump, and the causeway leading to Ste. Helen island. As far as I am concerned there is no objection to it.

The same applies to the two following motions in the name of the hon. member for St. John's East, Nos. 156 and 157. There is no objection as far as I am concerned.

Mr. Speaker: Is it agreed that these motions may be proceeded with, notwithstanding the inadequacy of notice?

Some hon. Members: Agreed.

[Mr. Dorion.]

MOTIONS FOR PAPERS

PLANS AND AGREEMENT RESPECTING CHAMPLAIN BRIDGE APPROACHES, ETC.

Motion No. 155—**Mr. Loiselle:**

For a copy of plans and the agreement made on May 19, 1961, between the city of Montreal and the national harbours board, relating to the Champlain bridge approaches, Pointe St. Charles dump, and the causeway leading to Ste. Helen island.

Motion agreed to.

BELL ISLAND FERRY SERVICE

Motion No. 156—**Mr. McGrath:**

For a copy of all correspondence exchanged between the Minister of Transport and the government of Newfoundland since June 27, 1957, respecting the Bell island ferry service.

Motion agreed to.

BELL ISLAND FERRY SERVICE

Motion No. 157—**Mr. McGrath:**

For a copy of all correspondence exchanged between the Canadian maritime commission and the government of Newfoundland since June 27, 1957, respecting the Bell island ferry service.

Hon. Leon Balcer (Minister of Transport): Acceptance of this motion is subject to the usual reservation in reference to obtaining permission from the province.

Mr. Speaker: Subject to the limitation expressed by the minister, is it the pleasure of the house to adopt the motion?

Some hon. Members: Agreed.

Motion agreed to.

(Translation):

TRANSPORT

SOULANGES CANAL—INQUIRY AS TO TRANSFER TO QUEBEC

On the orders of the day:

Hon. Lionel Chevrier (Laurier): Mr. Speaker, I should like to put a question to the Minister of Transport (Mr. Balcer).

Is the minister in a position to inform the house whether his department has come to a decision with regard to the Soulanges canal and whether the government has decided to turn over the entire canal to the Quebec government?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, a decision has been made and it will be announced tomorrow.

(Text):

AGRICULTURE

REQUEST FOR REPORT ON CROP CONDITIONS IN WESTERN CANADA

On the orders of the day:

Mr. Hazen Argue (Assiniboia): Mr. Speaker, I should like to ask a question of the Minister of Agriculture. Has the minister anything further to report in respect to the very

disastrous crop conditions in western Canada and, in particular, can the minister inform the house whether the government has in mind any action for making direct payments to producers who suffer crop losses or losses in income?

Hon. Alvin Hamilton (Minister of Agriculture): Mr. Speaker, I am sure the house is very pleased to see the hon. member for Assiniboia back in the house.

Mr. Chevrier: As well as the minister.

Mr. Argue: Mr. Speaker, on a point of privilege, I should like to remind the long-absent Minister of Agriculture that my return to the House of Commons preceded his.

Mr. Fleming (Eglinton): The minister was on public business, not personal politics.

Mr. Hamilton (Qu'Appelle): Mr. Speaker, the hon. member for Assiniboia was away on one type of business while I was away in respect to the business of the western farmers.

A meeting of the three western agriculture ministers and their staffs, the premier of Manitoba, the Minister of National Defence and myself representing the federal government, was held last Sunday in Winnipeg. At that time we went over the plans of the various provinces to meet the exceptional drought conditions of this year in the west. We formally went through the plans for the traditional freight assistance for the movement of fodder to cattle. It was made clearly apparent that in many parts of the country there would not be enough fodder to move even if there was freight assistance, so we discussed a program of switching the farmers in western Canada who have cattle herds to feeding grain in preference to fodder.

The federal government also made an offer to the provinces to double its community pasture program whereby the federal government would move grain to the community pastures enabling the doubling of the population if necessary, so that farmers not able to get fodder and who do not have water could bring their cattle to these pastures. The provincial and federal governments agreed that there should be a joint program of extension aimed particularly at the agricultural population of Manitoba and Saskatchewan, to point out the economics of grain feeding as opposed to fodder feeding and how the techniques of switching from one grain to another which is in supply can be used.

We discussed at some length the application of the agricultural prices support legislation, but it was the hope of us all that by certain techniques we could keep the flow of cattle moving to commercial markets in such a way that prices would not drop, so there would be no need to use price supports. The provincial governments expressed gratification in respect to our willingness to use support prices, and we discussed various grades to which it would apply, and so on.

Finally I should like to add a word and say that the situation as far as the cattle industry is concerned is quite serious. Weather conditions have deteriorated during the last 10 days. However, the essential fact to keep in mind is that there is no surplus of beef production in North America. There is no need for prices to decline if the movement of cattle to market is kept under good control. It was the declared intention of the four governments to see that this is done.

In regard to the last question asked by the hon. member in relation to payments, I think I can say that the federal government in 1958, through the words of the Prime Minister and his national agricultural program, among other things offered a program of crop insurance and a program of forage banks. I think the events of the last few months indicate the wisdom of this program, and I am sure the experience this year will convince the provincial governments across Canada that they would be very wise to inaugurate a hard sell campaign, selling crop insurance to farmers to enable farmers to build up a fund to meet this type of emergency, so as not to be faced with the tremendous drop in income such as they are now faced with.

The federal government stands ready at all times to see that everything possible is done to ameliorate conditions in any part of Canada, whether it be Prince Edward Island or the western provinces.

Mr. Argue: Mr. Speaker, I should like to ask a supplementary question. Does the minister not feel that consideration should be given to cash payments to western producers, not only because of crop losses but also because of the added expense this year of combating the grasshopper and cutworm plagues? My second supplementary question, in view of the minister's reference to crop insurance, is this. I wonder whether the government has under consideration any amendments to the act so the federal government itself might bear part of the liability for crop losses, the whole of which is now shouldered by provincial governments; and has the government considered any change in its 20 per cent payment toward premium costs?

Mr. Hamilton (Qu'Appelle): I should like to answer the second part of the question first. The present Crop Insurance Act is enabling

legislation which allows any province to set up a scheme suitable to its own needs. The federal government provides 20 per cent of the premium by way of assistance to farmers to induce them to participate. There is nothing to prevent any provincial government from joining with the federal government in giving help by way of a contribution to the farmer's premium.

Second, the government is considering ways and means to improve any and all of our legislation, and this includes the crop insurance legislation. I think it is very clear that if under the terms of the present act there is overpayment on any insurance scheme in the first few years after the insurance plan has been set up there will be a heavy burden, but the fact remains that the federal government has offered to lend such schemes 75 per cent of the cost of any over-call on the scheme.

There has been a suggestion by the province of Manitoba that there be an additional reinsurance provision so that any province would not be seriously jeopardized in its credit arrangements if there was a heavy loss. This particular aspect of the situation is under review.

With regard to the first part of the hon. member's question as to the general loss suffered by farmers, I think this government has demonstrated that whenever there has been a serious loss of income, as in the case of the farmers of Prince Edward Island last fall with regard to their potatoes and as in the case of the western farmers, we have always been ready to consider some suitable means of coming to their assistance. I should like to remind the house that in 1958 and in 1960 the federal government made an acreage payment to western farmers which was opposed by the hon. member for Assiniboia, and now I have—

Mr. Argue: That is not true. That is a lie.

Mr. Speaker: Order. The hon. member for Essex East.

Hon. Paul Martin (Essex East): I wonder whether I might get in a brief remark after the long speech of the Minister of Agriculture. In view of the condemnation by the minister of agriculture of Saskatchewan regarding the wholly inefficient way in which the crop insurance scheme is being applied, and owing to the fact that no province other than Manitoba is really participating in the scheme, may I ask the minister if the government will not agree to take steps to provide a crop insurance plan that will apply to all ten provinces and not just to one, that is Manitoba, which took the initiative long before this government acted in the matter?

[Mr. Hamilton (Qu'Appelle).]

Mr. Hamilton (Qu'Appelle): Mr. Speaker, as usual the hon. member for Essex East is away out on his facts. The provinces of British Columbia, Alberta, Saskatchewan and Prince Edward Island are now actively exploring various crop insurance schemes.

Mr. Martin (Essex East): That is not what I said.

Mr. Hamilton (Qu'Appelle): These programs will be worked out and I am quite positive that under the type of legislation we have, which allows each province to set up a scheme suitable to its own needs, insurance on special crops and on cereal crops will spread all across this country in the next few years. With regard to the words of the minister of agriculture of Saskatchewan, I think he is just suffering from the fact that in his province they tried to extend crop insurance by a correspondence course rather than going out and selling it across the kitchen table.

Mr. Martin (Essex East): Mr. Speaker, in view of the misinformation given to the house by the Minister of Agriculture, may I ask him if it is not a fact that at least eight provinces are not now participating in this anaemic crop insurance scheme of the government?

Mr. Hamilton (Qu'Appelle): Mr. Speaker, apparently the hon. member for Essex East did not hear me say that certain provinces, and I listed them, are now working on plans for crop insurance in their provinces. Therefore the figure of eight provinces not co-operating is not true.

Mr. Martin (Essex East): Mr. Speaker, the hon. gentleman persists in ignoring the nature of the question. Is it a fact that eight provinces—

Some hon. Members: Order.

Mr. Speaker: Order. I think any further debate should be reserved for the estimates.

Mr. Martin (Essex East): With great respect, Mr. Speaker, may I say that you allowed the Minister of Agriculture to make extended statements. As we are coming to the adjournment of the session I think we are entitled to place on the record the real facts involved in the situation. I do so by way of a question. I simply ask the minister—

Mr. Speaker: Order. The hon. member is seeking to ask a supplementary question which is a repetition of the question he has already asked, and it seems to me that with the number of supplementaries the whole situation has been sufficiently aired.

INQUIRIES RESPECTING CONCENTRATED MILK, SOYBEANS, BUTTER, ETC.

On the orders of the day:

Mr. W. B. Nesbitt (Oxford): Mr. Speaker, I wish to direct a question to the Minister of Agriculture. Will the minister be in a position in the near future to make an announcement concerning the recent request of the concentrated milk producers?

Hon. Alvin Hamilton (Minister of Agriculture): Mr. Speaker, this matter is before the government for decision. As soon as a decision has been arrived at it will be announced in the house.

Hon. Paul Martin (Essex East): A supplementary question, Mr. Speaker. May I ask the Minister of Agriculture if he has yet made a decision and is in a position to announce a floor price on soybeans, and if at this very late date in the year the government is prepared at long last to make a decision with regard to a price for Ontario grown wheat?

Mr. Hamilton (Qu'Appelle): Mr. Speaker, the other day in the house I answered a similar question by saying that there are a number of commodities before the government for consideration at the present time for decision on the terms of support price. When a decision is made it will be announced.

Hon. J. W. Pickersgill (Bonavista-Twillingate): I should also like to direct a supplementary question to the minister, if I may. Has the government reached a conclusion about the reduction in the consumer price for butter which was forecast by the minister more than six months ago?

Mr. Hamilton (Qu'Appelle): The answer to that question is that by the government's announcement the hon. gentleman will know that a decision has been reached.

COAL

CAPE BRETON—REQUEST FOR EXTENSION OF OPERATION OF FLORENCE COLLIERY

On the orders of the day:

Mr. Pickersgill: Mr. Speaker—

Mr. Diefenbaker: I was just going to answer the hon. gentleman's question.

Mr. Pickersgill: That is not the question I was going to ask.

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, two days ago the hon. member for Bonavista-Twillingate asked whether the government had made a proposal to the Dominion Steel and Coal Company for stretching out the work at the Florence colliery and, if so, what attitude had been taken by the company.

I am informed that a meeting was held on Friday, June 23, between representatives of the united mine workers and of the government on the closure of this colliery. At this meeting a proposal was made that some amount of additional work could be made available if complete salvage was made of all the equipment in the mine. It was agreed to refer this proposal to the company for its consideration and advice with the understanding that, if found practical by the company, the government would consider some financial assistance to permit of full recovery.

The proposal was placed before the president of Dominion Steel and Coal Company, and the technical details were also reviewed with the vice president in charge of mining operations. The government did not make any proposal, but simply transmitted to the company for consideration and advice the suggestion made at the meeting. The company advised that, both on general and technical grounds, the complete salvage of all material was not practical, and that the amount of extra employment that might be made available was not sufficient to justify the effort.

Mr. Pickersgill: Mr. Speaker, I thank the Prime Minister for his answer. Actually I rose to ask another question which I should like to put now to the Minister of Trade and Commerce.

TRADE

SALT FISH—DISPOSAL OF CARRYOVER AND PRICE SUPPORT

On the orders of the day:

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, I should like to ask the Minister of Trade and Commerce if he could give a report, either today or at any rate before the adjournment, which we hope will be before too long, on the success of his department in assisting in the disposal of the overhang of salt fish on the market from last year and if he could indicate whether there have been any discussions with the Minister of Fisheries and the fisheries price support board to ensure that there will not be a serious fall in the price of salt fish because of the loss of the Cuban market and other marketing difficulties.

Hon. George H. Hees (Minister of Trade and Commerce): I will be glad to look into the question and give the hon. member an answer as soon as possible.

Inquiries of the Ministry

TRANS-CANADA AIR LINES

REQUEST FOR REPORT ON LABOUR DISPUTE

On the orders of the day:

Mr. Frank Howard (Skeena): Mr. Speaker, I should like to ask the Minister of Labour a question in view of the announced strike deadline set by the air line flight attendants association in its dispute with Trans-Canada Air Lines. Can the minister inform the house what steps are being taken to ensure that an agreement is reached between the two parties?

Hon. Michael Starr (Minister of Labour): Mr. Speaker, the Department of Labour has been in constant touch with and on top of the events occurring in this dispute. Because of our interest and concern in the matter, a meeting has been arranged which is being held in Montreal with a mediator from the Department of Labour taking part in the discussions. We hope the parties will come to an agreement as a result of this meeting.

Mr. Howard: Could the minister inform the house of the name of this mediator?

Mr. Starr: Mr. Duquette.

Mr. Howard: In view of the fact that Mr. Duquette was unable to effect a settlement at an earlier stage, does the minister not think that someone of the calibre of Mr. Eric Taylor should attempt a settlement?

Mr. Starr: Mr. Speaker, we have been quite successful in the past in our attempts to settle disputes, and we shall continue on that basis.

HOUSING

MONTREAL—REPORTED COURT ACTION BY C.M.H.C.

On the orders of the day:

Mr. Gerard Loiselle (St. Ann): Mr. Speaker, may I direct a question to the Minister of Public Works and ask him to comment on a press report of this morning to the effect that Central Mortgage and Housing Corporation have filed an action in the courts to recover some apartments built in Montreal.

Hon. D. J. Walker (Minister of Public Works): Mr. Speaker, I have not yet had the opportunity of reading that report.

EXTERNAL AFFAIRS

ORGANIZATION OF AMERICAN STATES —CANADIAN PARTICIPATION

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I wish to direct a question to the Secretary of State for External Affairs. In view of a Canadian Press dispatch of July 4 stating that an informed source said that the Canadian government has decided to defer joining the organization of American states but intends to play a bigger direct role in Latin American affairs, is the minister in a position to inform the house of the government's position in this matter?

Hon. Howard C. Green (Secretary of State for External Affairs): Mr. Speaker, during the debate on external affairs about two months ago I dealt with this question. The situation remains as it was explained at that time. The question as to whether or not Canada should join the organization of American states continues to be under examination. We have for quite a long time been strengthening our relations with the Latin American states. We now have either direct or non-resident representation in 18 of the 20 Latin American states, and shortly we may have representation in 19. On August 5 there is to be a meeting in Uruguay of the inter-American economic and social council. Canada will have observers at that meeting.

Hon. Paul Martin (Essex East): A supplementary question, Mr. Speaker. Is it intended, as mentioned in the report to which my hon. friend directed his question, that Canada shall be represented at that conference by an observer of cabinet rank? In this connection the minister will recall having said that the government was going to ask the Canadian institute of international affairs what it thought the government should do about the O.A.S. Can the minister now say whether he has received instructions from the institute as to what policy the government should adopt?

Mr. Green: Mr. Speaker, as usual the hon. member for Essex East asked a question and then distorted the facts and added two or three fish hooks. The hon. gentleman's statement with regard to the Canadian institute of international affairs, as I believe the hon. member very well knows, was quite far removed from the facts. I said in my speech during the debate earlier this session that we were anxious to obtain opinions from Canadians generally, including members of the Canadian institute of international affairs, which does a very useful work in considering various external affairs questions in which that body is concerned. As a result of our request for opinions we have received a great many representations. As yet there has been no decision taken as to what policy will be adopted.

Mr. Martin (Essex East): Will the minister please answer the first part of my question, in which I inquired whether Canada would

be represented at the conference in Uruguay on August 5 by someone of cabinet rank?

Mr. Green: That has not yet been decided, Mr. Speaker.

CANADIAN ARCTIC—INSTALLATION BY U.S. OF ATOMIC POWERED WEATHER STATION

On the orders of the day:

Hon. Howard C. Green (Secretary of State for External Affairs): Mr. Speaker, yesterday the hon. member for Laurier asked the following question:

Has the Canadian government authorized the installation by the United States of an atomic powered weather station in the Canadian Arctic?

The answer is that as part of a continuing program of meteorological research in the Arctic, the meteorological branch of the Department of Transport and the United States weather bureau arranged earlier this year for the installation and testing of a new automatic weather reporting device designed in the United States. The electrical energy required to power the device will come not from an atomic reactor but from radioactive isotopes. Heat generated by these isotopes will be converted into electrical power by means of a thermocouple. Plans call for the equipment to be installed on Graham island in the Queen Elizabeth islands, and the information it transmits will be picked up by the weather station at Resolute Bay.

INQUIRY AS TO EXTENSION OF FISHERY LIMIT

On the orders of the day:

Mr. J. R. Tucker (Trinity-Conception): Mr. Speaker, I wish to direct a question to the Minister of Fisheries. Can the minister say whether active negotiations are being carried on at the present time with the nations which are fishing off the east coast of Canada to extend the fishery limit to twelve miles?

Hon. J. A. MacLean (Minister of Fisheries): Mr. Speaker, this is a question that should more properly be directed to my colleague the Secretary of State for External Affairs.

Mr. Martin (Essex East): In absentia.

Mr. MacLean (Queens): Since my colleague has found it necessary to be absent I shall bring this question to his attention to see whether an answer can be brought down for the hon. gentleman.

INCOME TAX

MONTREAL—REPORTED INVESTIGATION OF CHARITABLE DONATIONS

On the orders of the day:

Mr. Alexis Caron (Hull): Mr. Speaker, may I direct a question in French to the Acting Minister of National Revenue.

(Translation):

Mr. Speaker, I should like to know if the income tax inspectors have been authorized to ask various Montreal parish priests to sign the following letter, as reported in this morning's *Le Devoir:*

I, the undersigned, parish priest, authorize the income tax officers to modify, annul or change the receipts given in my parish for charitable donations.

That is a monstrosity that cannot be tolerated—

(Text):

Mr. Speaker: Order. If the hon. member has not given notice of his question it seems to me it might more appropriately go on the order paper.

Mr. Caron: It is a very important matter, Mr. Speaker. It is highly improper for the officers of the department to proceed in the way suggested—

Mr. Speaker: Order. I am not reflecting in any way on the importance of the matter, but the information sought is not the sort of information an hon. member might expect to have drawn out of a hat. If notice is not given the information requires to be looked up, particularly in the absence of the Minister of National Revenue.

Hon. Lionel Chevrier (Laurier): Mr. Speaker, I rise on a point of order to bring to your attention the fact that this question is one of importance in certain areas of the city of Montreal. If the question raised by the hon. gentleman cannot be answered by the minister at this time it should at least be taken as notice. The practice referred to in the question is certainly contrary to the regular practice of the officers of the department. The acting minister owes it to the house if not to his departmental officials to tell the house whether or not it is a fact that what has been referred to is taking place in Montreal.

Mr. Speaker: In view of what the hon. member has said I shall give the minister an opportunity to take the question as notice if he wishes to do so.

Hon. J. W. Monteith (Acting Minister of National Revenue): Mr. Speaker, I have not seen the article in question, and as a consequence I am not in a position to reply at the moment.

Mr. Chevrier: Will the minister take the question as notice?

HEALTH AND WELFARE

INQUIRY AS TO REGULATIONS RESPECTING UNDERWATER BREATHING APPARATUS

On the orders of the day:

Hon. Paul Hellyer (Trinity): I should like to direct a question to the Minister of Transport. In view of the tragic death of a Hamilton

lad allegedly from the use of inadequate and dangerous underwater breathing apparatus, can the minister say whether specifications for this type of equipment come within the jurisdiction of his department? If so, does he plan regulations designed to reduce the possibility of similar accidents happening in the future?

Hon. Leon Balcer (Minister of Transport): I have read of this tragic accident, Mr. Speaker. I know my department is very much aware of the various dangers connected with the use of these instruments and toys, and it has been watching very closely the sale of all apparatus of this type. As far as the legal position of the department is concerned and its responsibility in connection with these matters, I shall be pleased to investigate.

THE BUDGET

ALLEGED DISCLOSURE OF EXCHANGE SECTION BEFORE PRESENTATION

On the orders of the day:

Mr. Erhart Regier (Burnaby-Coquitlam): I should like to ask the Prime Minister a question. In the light of the disclosure made in this house yesterday as found at page 7526 of *Hansard*, namely that a non-Canadian, one Mr. Jacobsson, had been advised of the contents of part of the budget, does he not think the minister—

Mr. Speaker: Order. It seems to me that the hon. member is asking a question arising out of the debate of yesterday. As nearly as I can make out his question is not seeking factual information but is presenting a point of view which would more appropriately be brought up in the debate which is still continuing.

Mr. Regier: If I may, I should like to say this on the point of order. I believe this matter is within the administrative responsibility of no less a person than the Prime Minister. We had the Minister of Finance admitting that there had been a leak in the budget—

Some hon. Members: Oh, oh.

Mr. Regier: —and I believe I am right in asking for the reaction of the Prime Minister.

Mr. Speaker: Order. The hon. member is presenting an argument and not seeking information.

Hon. Lionel Chevrier (Laurier): On the point of order, Mr. Speaker, may I say this. It was clearly stated during the debate yesterday by the Deputy Speaker—and he will correct me if I am wrong—that this was a matter which should not come up in debate. Now that the hon. member raises it in this fashion, he is told that he is out of order.

Mr. Speaker: What is the hon. member's objection? As far as I understand the question that has been asked, it is to suggest to the Prime Minister some impropriety in what was done, and to ask him to comment on it. That is not seeking factual information, in my opinion.

Mr. Regier: I wonder whether I might ask the Prime Minister this question. Is he contemplating any action as a result of the disclosure made yesterday by the Minister of Finance?

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, no disclosure was made. I can also tell the hon. gentleman that his suggestion regarding the Minister of Finance will receive the contemptuous answer that it deserves.

Some hon. Members: Oh, oh.

Mr. Chevrier: Shame.

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, my I ask the Minister of Finance whether he disclosed to Mr. Jacobsson—

Mr. Speaker: Order. I appreciate the interest of hon. members in this matter, because I heard it debated last night. I do not propose to allow the debate to encroach on this period of the day. If the Leader of the Opposition has a question for factual information, although the event transpired some time ago it might conceivably be of such urgency that I would permit it. But as far as discussing the relative merits or demerits of the minister's action is concerned, this procedure is not appropriate for such a discussion.

Mr. Pearson: Mr. Speaker, we were told last night by the chairman that we were not permitted to discuss this matter in this debate, that it was irrelevant and out of order. This matter came to our attention not weeks ago but last evening in the course of this debate. Therefore, Mr. Speaker, I think I have a right —and I hope you will agree with me—to ask the Minister of Finance the question that I propose to put to him, namely whether there was a disclosure to Mr. Jacobsson of the international monetary fund of the exchange section of the budget speech before that speech was made in the House of Commons.

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, the answer is no. Of course it is no. To talk about this as being a leak is just unadulterated nonsense. I made it

quite clear in reply to a question asked yesterday by the hon. member for Burnaby-Coquitlam that Mr. Rasminsky, who is the Canadian representative on the executive board of the international monetary fund, was authorized by me to indicate confidentially and in only general terms to Mr. Per Jacobsson, the managing director of the international monetary fund, the general nature of the proposal that was to be made in the budget of June 20 in relation to the external value of the Canadian dollar.

It will be remembered that this was a statement of policy on the part of the government, not a statement on a particular measure. That was all that Mr. Jacobsson was made acquainted with in the conversation that Mr. Rasminsky had with Mr. Jacobsson in Washington on Tuesday, June 20. The following morning, as I also said yesterday, Mr. Rasminsky met with his fellow directors of the executive board of the international monetary fund and discussed with them the budget which had then been released and of which copies were then available in Washington; but Mr. Rasminsky until then was not acquainted with the budget. I pointed out last night that he was acquainted with only two chapters in the budget in general terms because of the fact that he is the manager of our exchange fund. This was just a normal consultation in regard to the management of the fund.

Therefore Mr. Speaker, to attempt to picture this as a budget leak is, I say, a travesty of the facts. I point out also, as I did yesterday, that in relation to the value established for the Canadian dollar in accordance with the article of the international monetary fund, on two occasions—

Mr. Speaker: Order. I question the propriety of the minister proceeding beyond the bare facts of the questions which were asked. To my mind the whole discussion is not appropriate for this period.

Mr. Fleming (Eglinton): If you will permit me to say so, Mr. Speaker, I did so only because of the use of a very accusing term, namely "leak", in relation to the budget.

Mr. Chevrier: What about the Prime Minister's term?

Mr. Fleming (Eglinton): I simply say this, Mr. Speaker. Having regard to the use of that term, I thought it only fair that I should say that on two previous occasions in the days of the former government, when the value of the Canadian dollar was changed in relation to the articles of the international monetary fund, there were consultations with the managing director of the fund while this matter was still secret in Canada.

Mr. Pearson: Mr. Speaker, may I ask the minister whether it is not a fact that when those two changes were made, they were not included in the budget speech?

Mr. Fleming (Eglinton): Mr. Speaker, the policy that was announced in the budget speech could have been announced at a time other than during the presentation of the budget. That is not the point. It is a question of secrecy as applied to a matter related to the external value of the Canadian dollar and the relationship of that question to the provisions of the international monetary fund. The circumstances are precisely the same in that regard as they were in two previous cases under the former government.

Mr. Speaker: Order. I hope the minister and hon. members will leave the matter at that point. I think my original view was correct. Although I may not often be right, I think I was right in suggesting that this matter was not appropriate for orders of the day.

BANK OF CANADA

CREATION OF VACANCY IN OFFICE OF GOVERNOR

The house resumed, from Tuesday, July 4, consideration in committee of Bill No. C-114, respecting the Bank of Canada—Mr. Fleming (Eglinton)—Mr. Chown in the chair.

On clause 1—*Office of governor deemed vacant.*

Mr. Pearson: Mr. Chairman, it is unfortunate that we begin the discussion of this very important bill when so many of the ministers, including the Prime Minister, have seen fit to leave the committee before the discussion begins.

An hon. Member: Shame.

Mr. Pearson: Last evening we on this side of the chamber did our best to get at some of the reasons underlying this bill of attainder and some explanation for the star chamber procedures which are embodied in it. That was not very easy because the minister, who gives us whatever information he sees fit, has said we are not entitled, in this court of appeal, on this issue, where the truth is not being heard, to what he considers to be confidential information. So we are restricted to what statements he sees fit to make on the various questions that we put to him in connection with a bill that is of such fundamental importance because it involves basic elements of decency, justice and fair play.

Perhaps the most important element in the consideration of this bill in committee is the reason the minister has given for the introduction of the bill, namely the impossibility of securing co-operation from the man whom

the bill is designed to fire. The minister made an extraordinary statement last evening, among other extraordinary statements, when he said it was impossible to get that kind of co-operation—

Mr. Fleming (Eglinton): What page?

Mr. Pearson: Page 7521 of *Hansard*. They did not really try, out of respect for the sincerity of Mr. Coyne. It was quite out of keeping to ask him to put aside his views and co-operate, so they decided instead, out of respect for his sincerity, to demand that he put aside his job.

The one concrete charge levelled in this field of non co-operation, which was contradicted by the minister himself at the time and subsequently but it is still persisted in by the minister and it was repeated at page 7040 of *Hansard*, is this:

> In the winter of 1957-58 I conveyed to him—

That is the governor:

> —a request for an easing of the requirements respecting the liquidity reserves of chartered banks. That request, which was designed by the government to ease tight money, was rejected by the governor firmly and angrily.

There was certainly no indication at the time that the minister took anything but a favourable view of the policy of the bank. However, we dealt with that point last night and I do not intend to repeat it. I would like to ask the minister certain questions arising out of the statement he has made.

The minister said that this request was made—and it is a very important one, because on this request hangs the government's case—in the winter of 1957-58. I would like to ask the minister precisely when this request was made, not "in the winter of 1957-58". When was it made? Under what circumstances was it made? What were the details of the request made by the government of the governor in this field of monetary policy, for which at that time the government said they had no responsibility?

I would like to ask the minister what reason was given by the governor at that time for, as he puts it, rejecting this particular request. I would like to ask the minister whether he took any further action or made any further request of the governor or any servant of the bank, or any of the banks, respecting this particular matter at that particular time. If so, with what results?

I ask these specific questions of the minister in the light of the statement made on June 15 by the governor of the Bank of Canada when he said:

> I repeat again that at no time has the Minister of Finance criticized or expressed a difference of opinion with the monetary policy being pursued by the Bank of Canada which the bank and its board of directors were entitled to assume carried the tacit approval of the government.

Now the minister has told us there was one time—and he does not give us details of the time, place or circumstances—away back in the winter of 1957-58 when the governor angrily and firmly refused such a request. Now we should like to have information about that.

Mr. Fleming (Eglinton): I supplied information last night with regard to that occasion. I said it occurred in my office in this building, and I referred to those who were present, other officials of the Bank of Canada as well as the deputy minister of finance.

Mr. Pearson: What date?

Mr. Fleming (Eglinton): I shall not attempt to fix the date precisely. The occasion was, I would say, very late in 1957. It would be November or December of 1957, and the occasion was one on which I conveyed to the governor a request of the government for a reduction in the liquidity reserve requirements with reference to the chartered banks, which then was 15 per cent, having been advanced to that figure at the time of the imposition of the tight money policy a year and a half earlier.

I have said that this was a definite proposal and a definite request, and it was rejected. It was rejected at the time. The governor said he did not consider it sound that there should be any reduction in the prevailing 15 per cent requirement. He rejected the proposal firmly. As I said last night, he rejected it firmly, flatly and angrily. That made it clear that the governor felt himself under no obligation to give effect to requests of the government with respect to monetary action, because this was a definite request which had obvious and immediate implications for monetary policy.

From that point on, as I have said, the governor having taken that position, I turned to examine precisely my authority in this situation, and I found that under the existing statute I had been given by parliament no express authority to issue directives to the governor of the Bank of Canada in relation to such questions. I found also that the provisions of the Bank of Canada Act are perfectly clear in vesting in the bank the right and authority to create money. There is no authority reserved to the government in that regard.

That has been basic in the relations between the government and the governor from that time to this. I have said that the authorities of the bank—it was not the governor only—were always prepared to indicate what steps they were taking in the monetary field

or to defend what they were doing; but as to the authority, it had been clearly established right from the beginning that the government had no authority over the Bank of Canada in relation to such matters.

Mr. Pearson: Well, the minister has not dealt with my question. He has dealt with some things which I did not raise, though they are very interesting. He has indicated, for instance—and this is of some importance in the light of certain disclosures last evening —that he was not sure of his authority in this field, apparently, until this particular incident took place.

Mr. Fleming (Eglinton): No. This is what I said. In line with what I had said while in opposition, I thought there was some authority possessed by the government in this field. I was brought up very short at that meeting. That led me to examine the statute and to conclude that no authority had been given to the government in this field to give directives to the bank.

Mr. Pearson: Well, until this incident the minister had thought he had some authority in this field. It was not very long before this meeting that he was very clear and certain about the authority of the government in this sphere. When this meeting took place he was of the opinion that he might have some authority, but then he discovered he had no authority or responsibility in the field of monetary policy, at least until last evening.

May I ask the minister whether this clash—and we certainly have the right to call it a clash in view of the terms the minister has used, because this was a request which was firmly and angrily rejected by the governor—took place before or after November 13, 1957? Hon. members may recall that on November 13, 1957 the minister, replying to the hon. member for Coast-Capilano as reported on page 1063 of *Hansard*, said he was not aware of anything that could be called a clash between the government and the bank.

I should like also to ask the minister, while we are on this basic incident whether a record of any kind was made of this meeting, the conclusions of which were so important in the minds of the government that three and a half years later, based largely on those conclusions, they decided to introduce an act of parliament to discharge the governor of the Bank of Canada without giving him the right to be heard. This obviously was an important meeting. This is the incident upon which the government builds up its accusation. It was years ago, but it is on this basis that the government decided that the governor had to go. As I say, this was obviously a very important meeting because of the important and responsible people who attended it, and I ask if any record was made of this meeting, which the minister thinks may have taken place in December, 1957; whether there is anything which he could disclose from such a record.

I should also like the minister to deal with the other question I have asked him. I should like the hon. gentleman to tell us whether any further requests of this nature were made of the governor or of any servant of the bank, or of any of the banks; and if so, what was the result of any such request which was made subsequent to this meeting which took place some time in the autumn, presumably in December of 1957.

Mr. Fleming (Eglinton): I am not sure that I followed all the points raised by the Leader of the Opposition, but if I overlook anything perhaps he will draw it to my attention. No communication in writing passed between the governor and myself in relation to this incident. Any communication of such a nature would, of course, have been confidential. I have drawn attention to this matter because it established very clearly the fact that the governor held a different view from the one I had entertained and had expressed while in opposition as to the relationship of the government to monetary policy.

It was made quite clear that the governor made the decisions in relation to action in the monetary field and considered himself under no obligation whatever to accept directives from the government. It was a precise proposal which I put before him, and I did so on behalf of the government. It was not something that I put to him on my own account. It was something which was conveyed to him—and he was so informed—coming from the government. He rejected it. It was perfectly clear that in the view of the governor he was under no obligation whatever in the sphere of monetary action to accept directives from the government. As I say, this proposal which the government put forward was rejected flatly and angrily.

Mr. Pearson: Does the minister not agree that the liquidity requirement, and that is what we are talking about, was not approved by the governor but was accepted voluntarily by the chartered banks on the suggestion of the government? Does the minister not recall that in the Bank of Canada report of 1955 there was included the statement that the function of a minimum liquid asset ratio is to increase the effectiveness of monetary policy in moderating a too rapid expansion of credit? A little further on, at page 16 of this report, appears the following statement:

After discussion, the banks have agreed to work to achieve by May 31, 1956 a minimum liquid asset

ratio of 15 per cent which they will endeavour to maintain on a daily average basis from June on.

Is the minister really trying to tell this committee that on the basis of this one meeting, in respect to matters about which the minister is so vague that he doesn't even know when it was held and has no record of it, but suggests it was in 1957, sometime in September, the government in 1961 has decided to introduce a bill to discharge the governor of the Bank of Canada?

Mr. Fleming (Eglinton): Mr. Chairman, the Leader of the Opposition would perhaps be closer to accuracy and orderly procedure if he would stick to his questions instead of jumping to conclusions, because the conclusions are so definitely wrong. He does not wait for an answer to get the facts but jumps at conclusions and consequently makes statements which are quite at variance with the facts.

Mr. Hellyer: If he waits for an answer he will grow old in the process.

Mr. Fleming (Eglinton): Now, Mr. Chairman, may we proceed with the answers to the questions? The Leader of the Opposition, it was quite obvious as soon as he started, has obtained and accepted in full Mr. Coyne's version of the increase, at the time of the application of the tight money policy, a year and a half before we came into office, in the liquid reserves of chartered banks from 8 per cent to 15 per cent. Mr. Coyne, in the report which the Leader of the Opposition read and on other occasions, has taken the ground that this was agreed to or undertaken voluntarily by the chartered banks.

I have to say that this is a matter of the clearest kind of dispute between Mr. Coyne's version of what happened and the version of the chartered banks, because I had occasion in those days to confer with a number of the chartered banks on this question, and the answers I invariably received from them were that this was imposed upon them by Mr. Coyne and they did not agree to it. They firmly disagreed with the statement which appeared in the report of the governor of the bank which the Leader of the Opposition has read. That is the fact, and that is the difference in the statement in that regard which is wide and complete.

It will be remembered also by hon. members that when the tight money policy was instituted a year and a half before we came into office, this increase from 8 per cent to 15 per cent in the liquid reserves requirement of the chartered banks obliged the chartered banks to market, at a time when the market was not strong, vast holdings of Dominion of Canada bonds, and that the chartered banks in the course of that enforced liquidation sustained very heavy losses. This was a matter, therefore, that the banks regarded as of some considerable importance. They have not forgotten that on that occasion, as they have made very clear, a policy was imposed by the governor of the Bank of Canada which obliged them to liquidate their substantial holdings, running into hundreds of millions of dollars in dominion government bonds, with consequent very heavy losses. From that time on the chartered banks have naturally been much more cautious in their lending policies, because they had no assurance that there would not be a repetition of what had happened to them in that unhappy experience of 1955-56.

Mr. Martin (Essex East): Mr. Chairman, when answering a question the Minister of Finance roams all over. This is evidenced by the fact that the last part of the answer he has just given has nothing whatever to do with the question put by the Leader of the Opposition. He is tending to confuse the issue. My question is, having seen the governor of the Bank of Canada around November, and the governor having taken the position that he did, why did the minister then go to the banks themselves a short time thereafter and ask the banks to do the very thing which he had asked the governor to do and which the governor had said was a matter that belonged to the banks?

Mr. Fleming (Eglinton): What did I ask the banks to do?

Mr. Martin (Essex East): You asked the banks to do precisely what you had asked the governor to do.

Mr. Fleming (Eglinton): I did so because the chartered banks—

Mr. Martin (Essex East): Please answer the question very simply.

Mr. Fleming (Eglinton): —considered in this respect, quite at variance with the statement of Mr. Coyne, that a requirement had been imposed upon them to increase from 8 per cent to 15 per cent, and hold at 15 per cent, their liquid reserves.

Mr. Martin (Essex East): What statutory authority was there for that?

Mr. Pitman: Mr. Chairman, I should like to continue the matter referred to by the Leader of the Opposition. It seems to me we are seeking a break-through in the wall, although I do not think we are getting very far. Last night I listened to the remarks of the Minister of Finance, and his words had a very familiar ring. I went back to my office and looked up his former words, and

found that he was using exactly the same phrases and words as before, just as though it was a replay of the same record. There is no new information forthcoming, and I suggest this is becoming an exercise in futility. I suggest the reason for this is that whenever the Leader of the Opposition seeks to ferret out information the answer is given that the information is confidential. I suggest that the minister is being very selective in regard to what he determines is confidential.

Last night the hon. member for Burnaby-Coquitlam asked for particular advice which the governor had given to the Minister of Finance in respect to debt management in relation to the present budget. I suggest this is an extremely important matter, because the minister has stated in this house that the reason the governor of the Bank of Canada must go is that the expansion budget which has been presented is opposed by the governor and, therefore, he must be relieved of his duties in order that this expansion budget may be brought to a successful conclusion. The main reason given for his having to go is his lack of co-operation with this expansionist government.

We have no way of finding out what the governor of the Bank of Canada advised in relation to this budget because the Minister of Finance refuses to give the information on the ground that it is confidential. As an example of that, when the hon. member for Burnaby-Coquitlam asked for information, the Minister of Finance said the following, as reported at page 7520 of *Hansard* of July 4, 1961:

> That hon. member asked me specifically to disclose the advice given by Mr. Coyne to the government in relation to certain questions of debt management with respect to the money-raising program for the present year. It would be highly improper on my part to disclose advice given to me or to the government by the adviser in this respect,—

Then he went on to say the following:

> It would be very unfair either to the adviser in this particular case or the advisers of the government in other cases if ministers were to disclose in the house advice of a very confidential nature given to them in this regard.

When it was suggested that the information was being hidden the minister then said the following, as reported on the same date:

> —it remains hidden for very good reasons of public policy. It has always been so under our system of government.

I should like to point out that although this information is considered confidential, the advice given by the governor of the Bank of Canada in 1957-58 apparently was not confidential, because the Minister of Finance has brought that information to the attention of this house. The minister stated that the governor refused to accept certain proposals by the government, angrily and completely, which apparently brought the Minister of Finance up very short because he went into very great detail, as reported at page 7524 of *Hansard* of July 4, 1961, to describe what took place at this meeting held in his office in this building, which would appear to be a regular meeting and which would be confidential. I think the minister is being rather selective in considering what is confidential and what is not confidential.

The Leader of the Opposition this morning has presented the one shred of evidence of a real difference between the government and the governor of the Bank of Canada which has given rise, four years later, to a desire for his resignation. I should very much like to know why the advice given by the governor of the Bank of Canada in 1957-58, which was revealed by the Minister of Finance, not by the governor of the bank, was not considered to be confidential.

In all the letters of the governor of the Bank of Canada he has stated that there has been complete co-operation without any area of disagreement. He has also stated he was willing to co-operate in regard to the present budget, and that he has desired to co-operate all down the line. Why is it, I ask the Minister of Finance, that the advice of the governor of the Bank of Canada in 1961 is confidential but was not confidential back in 1957 and 1958?

Mr. Fleming (Eglinton): The hon. member has not appreciated the difference in what is involved here. I was asked last night to disclose advice received from the governor of the Bank of Canada in relation to a matter of debt management and I declined to give that information. In that realm the Bank of Canada acts as adviser to the government. The government takes full responsibility for the decisions, and it would be highly improper under such circumstances to disclose the advice received.

The incident which has been discussed here this morning was not a matter of advice on the part of the governor at all. The whole point is that this was the field in which he made decisions. I referred to the fact that a particular request had been made by the government and a decision had been taken by the governor. There is a great difference between advice in the one case and a decision in the other, and it is the decision that I have given to the house.

Mr. Pitman: Would the conversation that took place at that particular meeting in 1957-58 not be regarded as confidential by those who attended the meeting?

Mr. Fleming (Eglinton): I have not gone into it in extended detail. I have given to the house what was an essential fact, that the government made a specific request for a course of action. This is fundamental to what has happened since, and it is fundamental to all this discussion that has gone on at this stage and earlier stages of this matter. The governor gave the answer that I have related to the house. It was a decision; it was an act, Mr. Chairman.

Mr. Pitman: Would the Minister of Finance state whether at any other time there has been a fundamental disagreement between the Minister of Finance and the governor of the Bank of Canada when the governor has angrily refused to co-operate in some proposal?

Mr. Fleming (Eglinton): Mr. Chairman, this was the decision—

Mr. Martin (Essex East): Answer the question simply.

Mr. Fleming (Eglinton): The hon. member for Essex East apparently is going to determine what shall be the questions and what shall be the answers. I suggest to him that he is responsible for his own questions, the hon. member for Peterborough is responsible for his questions, and I am responsible for the answers I am giving to the hon. member for Peterborough. This was the decision that set in their respective places the authority of the government and the authority of the bank. It was made perfectly clear in the light of that decision, a firm decision taken by the governor on that occasion, that the government had no authority to give him directives in relation to action in the monetary field. That was very definite and clear and that was why, as I say—

Mr. Martin (Essex East): That is not the point at all.

Mr. Fleming (Eglinton): —having regard to the firm decision that he made at that time in rejecting a government request, I was thrown back on the statute and found in the statute that no express authority was given to the government, to the Minister of Finance, to give such directives. With regard to what the governor has said about co-operation since the request was made for his resignation, may I say that I think anything that was said after May 30 in these letters by the governor has to be read in the light of the fact that he had been asked for his resignation and he was even then building up his case.

As I have said in the house on several occasions already, these letters that he was writing were written in the course of creating self serving evidence. They abound in statements of his virtue. In a situation of this kind what is surely the best guide is not what he has said after the request for his resignation but what he did, and I have related to the house what he did on this occasion which set the pattern and set the positions of government and governor in their places with respect to authority in the field of monetary action.

Mr. Chevrier: May I ask the minister if this was the first fundamental difference that took place between the government on one hand and the governor on the other hand?

Mr. Fleming (Eglinton): I would say yes. This was quite fundamental, Mr. Chairman. It certainly rocked me to find that this request from the government was firmly rejected, and angrily rejected.

Mr. Chevrier: What did the minister do in the face of this attitude taken by the governor?

Mr. Fleming (Eglinton): There was nothing I could do. As I have said, I went to the statute to see if I had the authority that previously I had assumed that the government had, which was the basis of the view I had expressed in the house when in opposition, particularly in the debate of 1956, and I found there no express authority given to the government to give directives to the governor of the Bank of Canada.

It is a fact, Mr. Chairman, that in this respect the Bank of Canada Act does not follow the terms of the Bank of England act. Under an amendment to the Bank of England act made in 1945, I think it was, express authority is given to the treasury, which means to the chancellor of the exchequer, to give directives to the governor of the Bank of England, but there is no such authority given to the government under our Bank of Canada Act, or given to the Minister of Finance in relation to the Bank of Canada.

Mr. Chevrier: Then I should like to ask the minister this question. Since there was, as he put it, a fundamental difference between the government on the one hand and the bank on the other, why did he not then ask the governor to resign?

Mr. Fleming (Eglinton): Mr. Chairman, I have already discussed that point and answered that question at least half a dozen times, I am sure. If we had known at the end of 1957 that in the year 1961 we were going to face the situation with which we are now confronted, then certainly I am quite confident that the government at that time would have decided to ask parliament to deal with this situation if the governor refused to resign. But, Mr. Chairman, we did not foresee that matters would move to this climax. If we

had known that, if we had had the benefit of that foreknowledge, then obviously I think my colleagues would have agreed that we should have acted then. We were in a situation then, Mr. Chairman. We wanted above all things to keep the Bank of Canada out of political controversy.

Mr. Martin (Essex East): You put it in.

Mr. Fleming (Eglinton): No, it is not the government that put the Bank of Canada into political controversy. It is the governor of the Bank of Canada by his ill-advised series of speeches in the fiscal field—

Mr. Martin (Essex East): Which you approved.

Mr. Fleming (Eglinton): —exploited by the opposition in this house.

Mr. Martin (Essex East): Which you approved.

Mr. Fleming (Eglinton): I did not.

Mr. Martin (Essex East): You did so.

Mr. Fleming (Eglinton): Mr. Chairman, the hon. member for Essex East says that I approved the speeches—

Mr. Martin (Essex East): You certainly did.

Mr. Fleming (Eglinton): —of the governor of the Bank of Canada. I have said in this house and I repeat now that never did I approve those speeches of the governor of the Bank of Canada. Never were they referred to me. Never did I know when he was going to make speeches.

Mr. Martin (Essex East): You defended his right to make them.

Mr. Fleming (Eglinton): Mr. Chairman, I never defended those speeches. I never defended one word of the content of those speeches. I was not going to have the hon. member for Essex East put me in the position which he would have loved to put me in at that time, of trying to be a censor and throttler. I always explained my position in the house, and the record shows it. Look at the *Hansard* record for February 21. Never did I take any responsibility for what the governor of the Bank of Canada was saying. Always I disclaimed any responsibility for what the governor was saying.

Mr. Pearson: Mr. Chairman, when we criticized those speeches in this house the minister attacked us, as he did last night, for daring to criticize them. He came to the defence of the governor's right to make speeches, and now he has the effrontery to get up and say that he did not approve those speeches—

Mr. Chevrier: Hypocrite.

Mr. Pearson: —which caused so much trouble that he asked the governor to resign.

Mr. Fleming (Eglinton): On a question of privilege, Mr. Chairman, the hon. member for Laurier has just now said—I do not know whether it got on the record—from his seat while the Leader of the Opposition was speaking, "hypocrite".

Mr. Martin (Essex East): I said that earlier myself.

Mr. Fleming (Eglinton): That word has been ruled to be unparliamentary. I do not know whether it was directed to the Leader of the Opposition or to myself but it does not matter to whom it was directed. It is unparliamentary and it should be withdrawn.

Mr. Chevrier: Mr. Chairman, the point is that the attitude of the minister has been hypocritical in this matter. I made the statement which the minister said I made and I wish to explain how I came to make it.

Mr. Fleming (Eglinton): Mr. Chairman—

Mr. Chevrier: Just a moment. I am speaking to a question of privilege.

Mr. Fleming (Eglinton): An explanation of an unparliamentary word is quite out of order. The unparliamentary word must be withdrawn under the rules of the house.

Mr. Chevrier: Under the rules of the house, unless closure is to be applied by hon. gentlemen opposite, an hon. member has the right to reply. What I am saying—

Mr. Fleming (Eglinton): There is no right to repeat an unparliamentary word.

Mr. Chevrier: I point out to the minister that he has swallowed himself, has backtracked and has made a complete turnabout with respect to his attitude in this matter. That is what prompted me to say that the conduct of the minister was hypocritical.

Mr. Churchill: Withdraw.

The Deputy Chairman: Order. I am sorry to interrupt the hon. member who has the floor. There is no way on my part of knowing whether or not the word "hypocritical" found its way into the record. I was listening closely to the Leader of the Opposition. If the hon. member for Laurier was successful in placing the word "hypocritical" on the record I am sure he would wish to withdraw it, because under our rules it is considered unparliamentary.

Mr. Chevrier: Mr. Chairman, I shall abide by your ruling. I withdraw the word. I point out to the minister, however, that he has backtracked and swallowed himself on this issue. Now I turn to the question—

Mr. Macdonnell: Mr. Chairman, would the hon. member permit a question? Is it conceivable that the hon. gentleman does not understand the difference between the Minister of Finance defending the right of the governor to speak and the minister approving what the governor said? Surely the difference is clear as crystal, and both the hon. member for Laurier and the Leader of the Opposition must recognize that.

Mr. Chevrier: Apparently, Mr. Chairman, the hon. member for Greenwood has not been listening to the discussion.

Mr. Macdonnell: I have been listening very closely.

Mr. Chevrier: I suggest that the hon. member for Greenwood has not been listening. An attempt is now being made to fire the governor—

Mr. Pickersgill: Because of his speeches.

Mr. Chevrier: That is precisely what is happening. The minister and the government are trying to fire the governor for making those public speeches which the minister defended over a period of days here in the House of Commons.

Mr. Macdonnell: Does the hon. member not understand the explanation of the minister to the effect that the minister did not defend the speeches but the right of the governor to speak?

Mr. Martin (Essex East): Mr. Chairman, there can be no doubt about what the minister said. I direct the attention of hon. members to the words of the Minister of Finance to be found at page 2258 of *Hansard* of February 21, 1961:

> —may I say that I have no right of censorship over the speeches of the governor of the Bank of Canada. He does not refer them to me. Why should he do so? This is a free country. He makes his own speeches and chooses his own themes. I read these speeches afterwards as does the Leader of the Opposition. It is sometimes forgotten by hon. members opposite that this is a free country. I trust that I am not to be held responsible for what may be said by the governor of the Bank of Canada when he exercises his right as a citizen to make speeches.

Surely, after this, the hon. member for Greenwood is not going to defend the minister who put himself in a most ridiculous position in the last few minutes.

Mr. Macdonnell: Mr. Chairman, there is not a word in what was read by the hon. member for Essex East which indicates approval on the part of the Minister of Finance of the content of the speeches made by the governor.

Mr. Martin (Essex East): That is not the point.

[Mr. Chevrier.]

Mr. Macdonnell: But that is the point. There is not a word of approval in what was read.

Mr. Chevrier: The point is quite clear, Mr. Chairman.

Some hon. Members: Sit down.

Mr. Chevrier: I was attempting to ask a question. I had the floor when I was interrupted by the hon. member for Greenwood, who did not like the attitude I was taking. I was attempting to make clear that the minister and the government are trying to fire the governor of the Bank of Canada for exercising the free right of the governor to make these speeches. That is exactly what is happening.

I now come back to the question I wished to ask earlier. In the light of the fundamental difference which the minister tells us existed between the government and the governor, why did not the Minister of Finance amend the Bank of Canada Act to meet the position? I asked the minister why he did not request Mr. Coyne to resign, and the minister in replying gave a long, empty answer. I now put this question. Why did not the minister amend the Bank of Canada Act under the circumstances referred to?

Mr. Fleming (Eglinton): Mr. Speaker, I shall begin first with the observations the hon. member for Laurier has made. It will be noticed that he made some accusing observations and then went on to ask a question. I hope when I deal with his observations the hon. member will not say I am delaying an answer to his question. I shall deal with his question.

What I have been saying in the course of this debate is fully consistent with what I said in the house on February 21 in the passage read by the hon. member for Essex East.

Mr. Chevrier: That is not so. That is not true.

Mr. Fleming (Eglinton): Never, Mr. Chairman, did I assume any responsibility for what the governor said. I have always disclaimed responsibility for what the governor said. On this and on other occasions the governor never submitted to me his speeches. He never asked me if he should or should not accept invitations to go out and make public speeches. He never referred these questions to me. I firmly declined then and on other occasions, when hon. members of the opposition sought to exploit the observations of the governor of the Bank of Canada to accept any responsibility for what the governor was saying.

Hon. members opposite know very well that what the governor was saying was clearly at variance with government policy. As I said

yesterday, Mr. Chairman, if it had been in harmony with government policy there would have been no point whatever in their reading the speeches of the governor of the bank or trying to make them an issue in debate on the floor of this house. The point they were trying to put forward was that the governor was out making public speeches not in relation to monetary policy but in relation to fiscal policy, a very thorny subject at any time and one always charged with political differences.

Hon. gentlemen opposite brought this question into the house. Of course they realized that the governor was making speeches on fiscal questions in terms completely at variance with the policies of the government. Hon. members opposite sought to embarrass the government, if they could, by bringing on to the floor of the house the speeches of the governor. They attempted to create confusion and the impression that this was someone speaking with some countenance on the part of the government for what he said.

I have made the record very clear in this respect. Never did I accept any responsibility for anything the governor said. As to the suggestion that I should have muzzled the governor—

Mr. Pearson: The minister muzzled him in March.

Mr. Fleming (Eglinton): —that I should have called him in and given him an order—

Mr. Pearson: Which the minister did.

Mr. Fleming (Eglinton): —I wish to make it clear that this is exactly what the hon. gentleman opposite wished me to do.

Mr. Martin (Essex East): The minister muzzled the governor on March 18.

Mr. Fleming (Eglinton): Hon. gentlemen opposite sought to put me in a position where it would appear that I was telling the governor what he should not say. Mr. Chairman, do you see the position in which the hon. gentlemen opposite wished to place me? They sought to create the impression that I was attempting to use the governor, simply allowing him to say things which might be approved by the government but denying him the right to say things which could not be approved by the government or which could be regarded as being critical of the government or at variance with government policy. That is the position in which hon. gentlemen opposite sought to put me, and I was not willing to be put in that position.

Mr. Chevrier: The minister is in a much worse position.

Mr. Fleming (Eglinton): I took the position of disclaiming responsibility for what the governor was saying. As for responsibility of the governor for what he was saying, that responsibility rests solely with the governor. Anyone who holds this high office knows perfectly well that when he goes out and makes public speeches critical of government policy, the responsibility for that course of action is his, and the responsibility for what course of action may follow is, in the first instance, his responsibility because he is the one who has brought this on himself and has done it deliberately.

When I say deliberately, Mr. Chairman, there can be no doubt that the governor must have been aware that he was making speeches on fiscal policy that were not in accord with the government's views. We had a situation in which the governor was out telling the people in public speeches to tighten their belts, that there should be a restriction in trade, at a time when the government was seeking to expand Canada's external trade. He addressed himself to questions of investment, asking this country to cut itself off from the inflow of capital, capital which over the years—as I was saying in those days in various speeches, including the budget speech—has done a great deal to assist in the development of the resources of this country.

I had expressed the opinion in various speeches, including the budget speech, that the people of Canada did not wish to see a slowdown in the development of their resources, but wished to go ahead with the development of their resources. This was in line with the view of the Canadian people, which, if you wish to use an expression which has become current in this debate, reflected an expansionist attitude toward the development of Canadian resources.

There can be no doubt in the mind of anyone about the conflict in views here as between those which the governor was declaring from the housetops in a series of public speeches right across the country and those which the government was expressing on such questions.

There has been on my part no inconsistency. The hon. member for Laurier talks about somersaulting. Mr. Chairman, it is not the government that has turned a somersault in this situation; it is the opposition which has done so, particularly the Leader of the Opposition. This is where we have seen the most extraordinary political acrobatics that I am sure this House of Commons is likely to see for many a day.

You will remember, Mr. Chairman, that when the Leader of the Opposition spoke in that debate we had on February 20, on an

opposition amendment to a government motion to resolve the house into committee of supply, he made some statements about this matter, and he made them in the light of the fact that the speeches of the governor were contradictory of government policy in the fiscal field. You will remember, Mr. Chairman, that it was against that immediate background, in the very context of that situation, that the Leader of the Opposition said this, as found at page 2201 of *Hansard*:

> If the governor cannot agree with the general policy which the government desires him to implement, then the governor has no alternative, of course, but to resign.

Those are not my words. Those are the words of the Leader of the Opposition. He had evidently forgotten those words.

Mr. Pearson: No, I have not forgotten them.

Mr. Fleming (Eglinton): Apparently he has now constituted himself a champion of Mr. Coyne, the man who, as he was saying back on February 20, ought to resign when there is a difference of opinion. He said where there is a difference of opinion the governor ought to resign. Now he is saying that the governor ought not to resign.

Mr. Martin (Essex East): Not at all.

Mr. Fleming (Eglinton): Oh, Mr. Chairman, did you hear that? I hope that interjection got into the record of *Hansard*. When I said that the governor should resign in the light of the statement made by the Leader of the Opposition on February 20, the hon. member for Essex East said "Not at all".

Mr. Martin (Essex East): You have confused the issue.

Mr. Fleming (Eglinton): Oh, Mr. Chairman, the hon. member for Essex East cannot have it both ways. There is a fundamental difference here. Everybody in this House of Commons knows it. The hon. member for Essex East knows it as well as do those members of the House of Commons who are fair in their judgments.

Some hon. Members: Oh, oh.

Mr. Fleming (Eglinton): He knows it perfectly well, Mr. Chairman. Yet now that we have the very situation about which the Leader of the Opposition was talking on February 20, when he said that under such circumstances the governor ought to resign, they not only do not want him to resign but, when the government is driven to the extreme limit of asking the governor to resign, not only do they fail to support the government and in that way support what the Leader of the Opposition said in this House of Commons on February 20, but they swallow themselves; they turn their backs on what was said by their leader on February 20; they become political acrobats the like of which have not been seen in Barnum and Bailey or any other circus. They now say that not only should the government not have asked for the governor's resignation but, now that the matter is before parliament with the full knowledge that there are these fundamental and far-reaching and irreconcilable differences between the government and the governor—they now say that parliament should not proceed to declare this office vacant. Such is their idea of consistency, Mr. Chairman. I do not think this House of Commons is likely to see a repetition on the part of any other members of the house of such political acrobatics as those we have seen on the part of hon. members opposite in the course of this discussion.

Mr. Deschatelets: Why do you not answer the question? Your speech is over now.

Mr. Fleming (Eglinton): Having dealt in part with the observations of the hon. member for Laurier with which he preceded the question he asked, may I say this in relation to the question. He asks me why I did not amend the Bank of Canada Act. May I say that parliament is the body that amends the Bank of Canada Act.

Some hon. Members: Oh, oh.

Mr. Fleming (Eglinton): We could have come to parliament in those days and could have asked parliament to amend the act. I have said already, I think about seven times, that had we foreseen that in 1961 these fundamental differences would move to the point to which they have moved, then certainly we would have acted sooner. Let there be no doubt in the mind of anyone about that matter. However, I have said that we hoped this situation could be lived with until the end of 1961.

That was our hope. If there were not to be a change in the office of governor we would have had to legislate in very precise terms in order to effect what was required in this situation and in a manner in which parliament does not normally legislate. Therefore there was not any possibility, as we saw it, of any final solution of this matter apart from detailed and extensive legislation or a change in the office of governor.

I have said that we hoped to live with this situation until December 31, 1961. That became impossible in the light of the interests of the country in the spring of 1961. Having regard to the necessity for asking parliament to approve a broad and comprehensive

program of effective action, the kind of program that required the effective working together of the authorities in the fiscal field and the authorities in the monetary field, and being faced with the necessity of having the most complete co-operation between government and Bank of Canada to implement this program it was for that reason that it became impossible to live with this situation until December 31, next.

Mr. Pearson: Mr. Chairman, the minister's long harangue reminds me of that species of cuttlefish which, when in fear or in trouble, throws out an inky smokescreen substance and in the resulting darkness and confusion hopes to escape. The minister's 30 minute harangue is not going to allow him to escape from the questions which he will not answer.

Mr. Fleming (Eglinton): Thirty minutes? I spoke for about 10 minutes.

Mr. Pearson: However, the minister's speech makes it necessary for us on this side of the chamber to reply to these inaccurate and hypocritical observations of his.

Some hon. Members: Oh, oh.

Mr. Churchill: Wait a minute.

Mr. Fleming (Eglinton): Mr. Chairman, you have already dealt with this question. I do not know whether there is very much difference between calling a man a hypocrite and saying that he makes hypocritical assertions. If that language is parliamentary, then of course it will have to be parliamentary for all hon. members.

Mr. Pearson: I will withdraw the word "hypocritical", Mr. Chairman, in order to save time. I will put it this way. We shall have to deal with the minister's manipulation of facts and figures.

The Deputy Chairman: Perhaps on that happy note I should call it one o'clock and leave the chair.

At one o'clock the committee took recess.

AFTER RECESS

The committee resumed at 2.30 p.m.

Mr. Pearson: Mr. Chairman, the remarks of the minister this morning commenting, as he said, on certain observations on this side of the chamber before he dealt with questions that had been submitted to him require a word or two on my part. I hesitate to go over this old ground again which surely has been covered enough. But the minister quoted my statement, as an example of my inconsistency, that when there is a dispute between the governor of the bank and the government, the governor of course, in those circumstances, should resign. I do not withdraw that statement or any other statement I have made along those lines. That is quite clear, of course. But this situation is not the kind of situation which the minister would have us believe it is.

In the first place the governor of the bank has said he has never refused to co-operate with the government, and the illustrations of non co-operation in the last two years which the minister has brought forward are so absurd that, in default of better evidence than that, we accept the governor's word. If the governor says he has co-operated and the minister says he has not co-operated, surely the only issue is that in a dispute of that kind, before the governor resigns—and if his usefulness is destroyed by the government, naturally he has to resign—he is entitled to his day in court. That is the issue. By "court" I mean an appearance before a committee of the House of Commons which is being asked by legislation to throw him out of his job. Could there be any more simple and elementary issue than that?

The minister says the governor must resign, although he says the governor has co-operated, "because we have in our view had a dispute with him". And that is the end; he is not to be allowed to talk before those who are accusing him. That is the issue and no effort on the part of the minister can conceal or confuse—well, perhaps he can confuse the issue. Another point raised by the minister this morning and which can be dealt with very quickly indeed is that of the speeches made by the governor, which the minister has put forward as a main reason why the governor should resign.

The record on that matter is perfectly clear. It is quite true that the governor made these speeches, from 1959 especially. It is quite true that we criticized some of these speeches in the House of Commons. We were worried about them. It is quite true that the minister was not worried about them, because he did not take issue with any of them in the House of Commons. After years, in March, 1961 the minister finally admitted that he had some responsibility in this matter, having previously disclaimed any responsibility. In March of this year he asked the governor of the bank to stop making these speeches, especially when the governor began to talk about full employment and what could be done to bring about full employment. The governor was told to stop making these speeches, and he stopped making them. That is that.

Then there is the question of consultation and communication between the minister and governor. There is no doubt it has broken

down, but the responsibility for that breakdown, again as far as we know—because we have not all the evidence; we cannot depend on any one side—the minister must take his responsibility. He talked about the old days when the governor of the bank was in close and constant touch and consultation with the government of the day, which was a Liberal government. They were Liberal ministers of finance. That is perfectly true. That applied also to this governor who is now being discharged. If this consultation and communication broke down—as obviously it did, because the minister had no consultation with the governor of the bank even to the point of talking with him about the budget—that is a deplorable situation for which the government must take its share of responsibility.

The main reason for this act of parliament, brought forward again by the minister this morning, was the angry and firm refusal of the governor back in November or December, 1957 to take certain action at the direction of the minister in respect of the reserves of the chartered banks; an action which he had no authority to take under the Bank of Canada Act; an action which would have been purely voluntary on his part if he had taken it; an action which the government itself could have taken by intervention in the affairs of the bank or by altering the Bank of Canada Act.

The governor of the Bank of Canada at that time did not take this action, for which he had no statutory authority at all, and the minister because he took this position in 1957, out he goes in 1961. Over all these years the governor has borne the blame for that. There it is, Mr. Chairman. There is the case made by the minister against the governor of the bank.

Mr. Hellyer: There is no case.

Mr. Pearson: We do not know about this case because we get only one side of it. We do not defend, we do not accuse the governor in respect of these matters. All we do is ask that he be given the right to be heard in respect of the charges made against him; charges which have not been supported by effective or impressive evidence in this committee. I should like to ask the minister a few specific questions.

As one of the matters which relates to this bill is the matter of pension, a pension which was provided by a decision of a committee of the board of directors, all nominees of the present government, and approved unanimously by the full board of directors, most of whom were appointed by the present government, this is a pension about which all of us who are worried about the way things

[Mr. Pearson.]

are done in these matters should know something. I shall ask the minister two or three questions and then give him the opportunity to reply to them. I should like to ask the minister, first, why he found it necessary to raise this pension question on May 30. He himself stated, in contradiction to what has been stated elsewhere—and this is the kind of contradiction which should have been resolved before a committee where evidence could have been taken—as reported at page 6353 of *Hansard* that the governor of the bank raised the question of the pension with the words: "Well, what about my pension?" Is that the only way in which this came up, and is it the first way it came up in this discussion? Was that the first time, on May 30, 1961, that the pension issue was ever raised by the minister with the governor of the bank? May I also ask the minister whether the action taken on February 15, 1960, on pensions when this matter was established by the board of directors was approved by all the members of the board of directors? Was any advice given at that time or subsequently to the board of directors of the Bank of Canada by the deputy minister of justice, who is a member of the board, in respect of this action?

I also ask the minister whether he does not receive detailed reports of meetings of the board of directors of the Bank of Canada from his deputy minister who normally attends, or from a representative of the deputy minister. Finally I ask whether it would not be the duty of the minister to read the minutes of all meetings of the board. Perhaps the minister would deal with these questions before I go on to ask him a few others.

Mr. Fleming (Eglinton): The first time there was a discussion between the governor and myself about this pension action was on May 30. I had in the course of the discussion that day mentioned to him that I had become aware of the action taken by the board at its meeting on February 15, 1960—that I had recently become aware of it—and that while I was aware that the minutes of the board showed that he took no part in the discussion of that portion of the subject relating to his own pension, nevertheless, having regard to his high position, and the fact that he was given a very wide veto power under the act, and that a high measure of responsibility in matters affecting his own personal interest was to be expected of anyone holding the high office of governor of the Bank of Canada, the view of the government was that there had been a dereliction in his duty in not seeing that this matter was brought to the attention of the government.

I pointed out to him that this had not been done, and that having regard to the provisions of the act, the by-law as applied to his own pension, by reason of the fact that it had not been gazetted, was of doubtful validity. The governor contended at first that there was no question about the validity of the by-law because, he said, there had been opinions given at one time, some years earlier, that by-laws passed by the board of directors of the bank in relation to pensions for members of the staff and officers of the bank did not require the approval of the governor in council for their validity. I pointed out that if he were right in that contention it still did not touch the point that the by-law had not been published in the *Canada Gazette* in accordance with one of the provisions of the act. He took the position that gazetting was not essential to the validity of the action taken. That, I think, was the substance of the conversation with regard to the by-law in relation to pensions passed on February 15, 1960. It was later in the conversation, before he left, that he proceeded to ask me the three questions which I related to the house when I spoke on June 14, one of them being: "What about my pension"?

I told him, as I have already related to the house in full detail on this subject, that he must understand that as far as the government is concerned there was no understanding between us that he would be entitled to the pension he claimed under the by-law of February 15, 1960. I made that very clear to him in reply to that question.

The next question asked by the Leader of the Opposition was whether the by-law of February 15, 1960, was approved by all of the directors. My information is that the by-law was approved unanimously. Let me add this, to clarify the situation, because one of the comments made by the Leader of the Opposition yesterday would have given a contrary impression: the board at that time was composed of some appointees of the present government and some appointees of the former government of which the hon. gentleman was a member. The proportion at that time was four members appointed by the former government and eight appointed by the present government. The subcommittee of the board which considered this question, according to the record and according to my information, was composed of three members, two drawn from appointees of the present government and one appointee of the former government. As I have said, my information is that the by-law, including the special provision made for the pensions of the governor and deputy governor, was approved unanimously. It should be remembered that the by-law covered many other things in addition to the special pension provision for the governor and the deputy governor. As a matter of fact, this whole matter, as I learned this spring on looking into it, had begun with a general review of the pension by-law of the bank as applied to all members of the staff, of whom there are a good many hundreds. It was only in the course of that review that this proposal to enlarge the pension provision for the governor and deputy governor was raised.

The next question is whether there was some advice given to the board by the deputy minister of justice at that meeting on February 15, 1960.

Mr. Pearson: I meant the deputy minister of finance. I am sorry.

Mr. Fleming (Eglinton): Yes, I think the Leader of the Opposition will realize he was wrong in saying the deputy minister of justice was a member of the board. He never has been. The deputy minister of finance was not present at that meeting on February 15, 1960. As I have already told the committee, he was suddenly called to Toronto the day before the meeting owing to the unexpected death of a brother-in-law. He was obliged to leave at once and to take full charge of the funeral arrangements. That is the reason he was not present at the meeting on February 15, 1960.

Mr. Martin (Essex East): The assistant deputy was there.

Mr. Fleming (Eglinton): The assistant deputy was there but he went on very short notice and did not have the background of information in respect to this matter that the deputy minister had and, as the committee is aware, I was not acquainted with what transpired at that meeting until the spring of 1961.

In regard to the question in so far as advice is concerned, I think I have already answered that because that matter arose during my discussions with the governor on May 30. There had been advice tendered to the governor by the Department of Justice—it was not the deputy minister—on earlier occasions as to whether a by-law of the Bank of Canada relating to pensions required the approval of the governor in council. That was the one issue involved in the opinion, and it did not touch upon the other question I have mentioned as to whether such by-laws also required to be published in the *Canada Gazette*.

The next question asked by the Leader of the Opposition had reference to whether I receive detailed reports from the deputy minister of justice or, I take it, anyone else, as

to what transpires at meetings of the board of directors of the Bank of Canada. The answer to that question is no.

The last question was whether the minister is not under some duty—

Mr. Benidickson: The minister referred to the deputy minister of justice and I am sure he meant his own deputy minister.

Mr. Fleming (Eglinton): I intended to say the deputy minister of finance.

Mr. Benidickson: Yes.

Mr. Fleming (Eglinton): The last question was whether the Minister of Finance was under some duty to read all the minutes of the board of directors of the Bank of Canada. The answer is no. It has not been the practice of the bank to issue and circulate copies of minutes of board meetings at all. I am informed, because of the secret nature of the business transacted at meetings of the board of directors, these minutes are not circulated, and the directors going to meetings have on their desks either the minutes or a precis of the minutes of the previous meeting. These meetings are held at what are, by the standards of private business, fairly lengthy intervals. Meetings of the board of directors of the Bank of Canada are held on the average I would say of five times a year, so there is an interval of about two months between meetings.

Mr. Benidickson: All the more reason for reading the minutes.

Mr. Fleming (Eglinton): The bank does not issue or circulate the minutes. I have not seen any of the minutes of the board because these proceedings of the board are, of course, secret. This spring, after having been told of the increase in the governor's pension provided by the board, by the by-law of February 15, 1960, I asked for a copy of the by-law and a copy of that portion of the minutes of the meeting at which this subject was discussed.

Mr. Chevrier: What date this spring, did the minister say?

Mr. Fleming (Eglinton): Are you referring to when I received a copy of the by-law?

Mr. Chevrier: Yes.

Mr. Fleming (Eglinton): It would be in April of this year.

Mr. Pearson: Mr. Chairman, we have learned some details about this very unusual action in regard to pensions, taken by the twelve directors, eight of whom were appointed by the Conservative government, on the recommendation, after a good deal of study by the pensions committee of three members, two of whom, including the chairman, were appointed by the Conservative government, and the chairman of which is a close friend—a very reputable gentleman indeed—of the minister himself. That is the origin of the increase in this pension, and other pensions; an increase which I must say has caused a good deal of understandable surprise, as a result of the action by this board of directors.

The minister has also said that the question of pensions at the meeting of May 30, when the governor was asked—that is a mild word—to resign—

Mr. Fleming (Eglinton): It is an accurate word.

Mr. Pearson: This matter of pension was raised by the minister first, and only afterwards did the governor ask his question about it. The minister has said this afternoon—and this statement was made before—when he referred to the doubtful validity of the pension, that at a meeting where the governor of the bank was to be asked, and again I use that very mild word, to resign, the minister raised the question of the validity of the pension of the governor, a pension which had been established and increased by a board of directors, eight of the 12 of whom were appointed by this government. That, Mr. Chairman, speaks for itself.

Then the minister says that the governor was guilty, in the words he used, of a dereliction of duty in not bringing this increase to the attention of the minister and the government—an increase which was recommended by the board of directors on February 15, 1960. The governor was to be blamed for not doing this. Let me point out again, Mr. Chairman, that at the meeting where the board of directors took this unusual action in respect to the governor's pension—this Tory board of directors in the majority—

Mr. Fleming (Eglinton): It is not a Tory board of directors.

Mr. Benidickson: It then was two to one.

Mr. Pearson: At this meeting there was in attendance a representative of the Department of Finance in the person of the assistant deputy minister of finance. And then at the next meeting when the minutes of the previous meeting would undoubtedly be read—I take it that is the routine procedure at meetings of board of directors, although I must say I do not sit on meetings of boards of directors very often—the deputy minister of finance was present to hear the minutes of the previous meeting when the decision had been made to increase the pension of the governor. With the assistant deputy minister knowing about it and the deputy minister

knowing about it, the minister now blames the governor of the Bank of Canada for not informing him of this increase. That also speaks for itself.

I ask the minister with respect to a matter that did not concern the government directly, but concerned the board of directors of the bank, appointed in the majority by the government, which was conducted directly in accordance with the provisions of the act, why the minister blames the governor for a dereliction of duty rather than his own representatives who were present at meetings when these actions were taken?

Mr. Fleming (Eglinton): It was not a question of "rather than".

Mr. Pearson: I also ask the minister on what legal basis does he contend that the action taken by the board had to be approved by the government and published in the *Canada Gazette*? I then ask the minister, and I will give him a chance to answer these questions before I ask him any more, how he learned in April of 1961—not through the deputy minister and not through his assistant deputy minister—about this action taken a year and a half before.

Mr. Fleming (Eglinton): I learned about it through Mr. Bryden on March 19, as Mr. Bryden has stated in his letter which was made public last week. I am sure the Leader of the Opposition is acquainted with that. That was the first time I heard of it at all.

Mr. Benidickson: What about the other letter?

Mr. Martin (Essex East): Does the minister say the first time he heard of it was March 21?

Mr. Fleming (Eglinton): I first learned about it on March 19.

Mr. Martin (Essex East): If he learned about it for the first time on March 19, will the minister then explain why, if he felt so strongly about it, he did not complain about it to the governor until May 30?

Mr. Fleming (Eglinton): Mr. Chairman, this matter was given very careful consideration—

Mr. Martin (Essex East): Why not answer the question.

Mr. Fleming (Eglinton): Mr. Chairman, I thought I was answering the question.

Mr. Martin (Essex East): You are not answering questions, you are now turning to another subject.

Mr. Fleming (Eglinton): Mr. Chairman, one can see how anxious the hon. member for Essex East is to obtain the facts and information. He asks a question and before I can utter one sentence he starts making more of his silly and absolutely unreasonable remarks.

Mr. Martin (Essex East): Never mind the insults, just answer the question.

Mr. Fleming (Eglinton): Perhaps the hon. member will reserve his insults for himself and not interfere with the answer to the question.

I made it clear that I heard of this action from Mr. Bryden on March 19. Following that I began to make inquiries. I asked for a copy of the by-law and then a copy of the minutes of the meeting. I then studied the matter very carefully to determine the position. This matter was considered very carefully and it was only after conclusions had been arrived at that it became timely and appropriate to discuss the matter with the governor.

Mr. Martin (Essex East): It is now clear that the minister says he first learned of the action taken by the board on the 19th of March. It is now clear that he did not discuss this matter with the governor until the 30th of May. The minister now gives us the reason that between the 19th of March and the 30th of May he wished to consider the course that would be taken. He will not mind my saying, of course, that it would be very difficulty to convince any reasonable-minded person that it would have taken all that time for the minister to register his objection. Obviously there were other reasons. While the minister takes the position that he did not know of the pension having been decided on until the 19th of March, I suggest to him that he knew before the time that the pension was determined by the board of directors that the board was going to give consideration to an increase in the pension.

Mr. Fleming (Eglinton): I did not, Mr. Chairman.

Mr. Martin (Essex East): I ask this question. Is it not a fact that before Mr. Bryden took the initiative in the board of directors—

Mr. Benidickson: In 1959.

Mr. Martin (Essex East): —that Mr. Bryden, the minister's close friend and one of his political workers, had discussed his intention with the Minister of Finance?

Mr. Fleming (Eglinton): No, it is not a fact, Mr. Chairman. Mr. Bryden has made this very clear in response to the aspersions that have been cast by the governor and repeated by certain hon. members of the opposition in this house. An attempt has been made, and by none with more determination than the hon. member for Essex East, to make it

appear that the Minister of Finance has misled the house in this respect. There was no discussion between Mr. Bryden and myself about the pension or any pension arrangements for the governor of the bank at all.

Mr. Bryden made it very clear in the statement he issued last week that in the most passing way he simply referred to the fact that he was proposing to have a review of the pension by-law of the bank. There was no reference whatever—

Mr. Martin (Essex East): That is the point. You said a moment ago that was not the case.

Mr. Fleming (Eglinton): —there was no suggestion whatever of a reference to the pension of the governor of the bank.

Mr. Pearson: Is he not a member of the bank?

Mr. Hellyer: What did you think they were going to do?

Mr. Fleming (Eglinton): Here is what Mr. Bryden said at page 3 of his letter of June 28, and this is put forward by Mr. Bryden to answer these aspersions and these attempts to mislead and hoodwink people as to what was the discussion. This is what Mr. Bryden said in his letter to me:

> I had two conversations with you with respect to pensions. The first was in August 1959, when in a very casual conversation I said that a subcommittee of the board was giving consideration to the bank's pension fund and to salaries. No reference was made to the special provisions dealing with the pensions of the governor and deputy governor and in fact no details at all were mentioned because, at that time, the board's subcommittee had barely started to work.

There is the complete answer to the hon. member for Essex East and I trust an effective burial for the aspersions he has been casting about.

Mr. Benidickson: You did not indicate that you were offended by the 1957-58 activity of the governor.

Mr. Fleming (Eglinton): Pardon?

Mr. Benidickson: My remark was that the minister gave no indication to the chairman of the committee that he had any reservations with respect to pensions that might be provided for the senior officers of the bank with which the minister is trying to tell us the government had a quarrel on monetary policy that originated in November, 1957.

Mr. Fleming (Eglinton): Mr. Chairman, for what must be at least the twelfth time I repeat that the subject of the pension of the governor was never mentioned. Mr. Bryden continues:

> The second conversation with you was on March 21, 1961, when I mentioned in another connection, the action taken by the board on February 15, 1960, with regard to the special pension provisions for the governor and deputy governor. You were surprised to learn of this and I was also surprised that you did not know of it.

That also is a statement of fact, Mr. Chairman. This was the first time that the question of the increase made in the pension provisions for the governor came to my knowledge and it was in the course of a conversation on a related matter but not directly in regard to pensions that this happened to be mentioned. That was when I first learned of it. You can imagine my surprise, a surprise that so impressed Mr. Bryden that he comments that he was also surprised that I knew nothing of it.

Mr. Benidickson: We have had published one letter from Mr. Bryden to the Minister of Finance and I believe it post-dates the controversy that we are now discussing. What about the letter from Mr. Bryden to the Minister of Finance to which the governor has referred? Mr. Bryden is a close friend of the minister and an appointee of the government. What is the possibility of giving the Canadian people the full facts by producing the letter that has not yet been made available, namely, the earlier letter from Mr. Bryden to the Minister of Finance?

Mr. Fleming (Eglinton): The hon. member refers to the letter which has been so grossly misrepresented by the governor of the bank in his recent communications and published statements.

Mr. Hellyer: Let us see it so we can judge for ourselves.

Mr. Benidickson: This is why we should have a committee that could establish the facts.

Mr. Fleming (Eglinton): This is what Mr. Bryden had to say about that letter by way of correcting the false references to it by the governor of the bank in his recent public statements. This is in Mr. Bryden's letter to me of June 28, 1961.

> Reference has been made by Mr. Coyne in a recent letter to you that I told you about a possible change in these provisions six months before the directors acted in February 1960. The letter I addressed to you on April 7, 1961, gives in chronological sequence the meetings and discussions relating to both salaries and pensions which led up to the approval by the board of amendments to the pension fund by-law. I continue to regard this letter as a confidential communication.

Mr. Benidickson: Are you speaking for yourself or are you quoting Mr. Bryden?

Mr. Fleming (Eglinton): I am still reading Mr. Bryden's letter, as I made clear. I repeat:

I continue to regard this letter as a confidential communication. At Mr. Coyne's request I subsequently sent a copy of this letter to him in his capacity as governor of the bank since I was still technically a director of the bank at the date the letter was written.

This is the letter which has been grossly misrepresented by the governor of the bank and referred to by certain hon. members in this house in quoting from the governor's letter which, as I have said, was a gross misrepresentation.

Mr. Pearson: So you say.

Mr. Fleming (Eglinton): Mr. Bryden makes it quite clear that he wrote me the letter in confidence and I received that letter in confidence. That confidence has been respected.

Mr. Benidickson: You have referred to it in the house and are obliged to table it.

Mr. Fleming (Eglinton): This House of Commons, when confronted with a motion that this correspondence should be tabled, upheld the confidential nature of that correspondence. What the governor did was to ask Mr. Bryden for a copy of this letter and he obtained the letter which was written in confidence and it was given to him because he was the governor and it related to the affairs of the bank. But did the governor respect the confidence? No, he did not, and he did not even refer to it accurately. He grossly misrepresented the contents of the letter and then he tried to make it appear that there had been a hiding of this letter. There never was anything of the kind.

This house has dealt with this question on a motion to produce some days ago and has decided that because of the confidential nature of the communication that confidence should be respected and the privileged nature of the communication should be upheld in this house. This house has upheld the privileged nature of that communication. But that did not prevent the governor from making an entirely untrue statement about the effect of this letter and referring, if you please, to a letter that he had received in confidence and which he well knew had been written to me in confidence. I ask if that is good behaviour on the part of a public official.

Mr. Martin (Essex East): The minister now has said, of course, more than I am sure, on reflection, he would wish to have said. I asked him a few moments ago if there had been any discussion between himself and Mr. Bryden prior to the decisions of the board at Mr. Bryden's initiative to provide for this pension to the governor, the circumstances of which I should like an opportunity of examining the governor upon because I do not like the pension. I am not alone in that in this party. However, I am anxious to find out—

Mr. Fleming (Eglinton): Almost alone.

Mr. Pearson: You gave it to him.

Mr. Martin (Essex East): I am anxious to find out the circumstances that prompted a board of directors, eight of whom were appointed by this government—

Mr. Fleming (Eglinton): And four appointed by you.

Mr. Martin (Essex East): —to take the course they took to which the minister now professes, carrying a white cloak of innocence, to be totally opposed. The minister now has admitted that, prior to the decision of the board, he did have a general discussion about pension matters of the bank with Mr. Bryden.

Mr. Fleming (Eglinton): That is not a true statement.

Mr. Martin (Essex East): That is what you said a few moments ago.

Mr. Fleming (Eglinton): The hon. member talks in one breath, Mr. Chairman, about the governor's pension—

Mr. Martin (Essex East): I have the floor.

Some hon. Members: Order.

Mr. Fleming (Eglinton): Then he talks about the general pension by-law; he is talking about two different things.

Mr. Martin (Essex East): I hope, Mr. Chairman, that you will caution the Minister of Finance to contain himself and to speak when he has the right to speak. I am not yielding the floor to him. It is clear from what he said a few moments ago that he has contradicted himself. There was a discussion between himself and Mr. Bryden with regard to the pension arrangements of the bank. This afternoon the minister denied that that situation existed. We have found out that the minister, within the course of 20 minutes, has contradicted himself on this important matter. He says Mr. Bryden has asked him in the recent letter written to the Minister of Finance, to treat as continuing in its confidential character the letter of resignation of Mr. Bryden of April 4.

I suggest to the minister that he had asked Mr. Bryden to provide in this last letter for that very request.

Mr. Fleming (Eglinton): That is untrue.

Mr. Martin (Essex East): The minister says that is not true. I say the minister did suggest that to Mr. Bryden.

Mr. Fleming (Eglinton): On a point of order, Mr. Chairman; this is something obviously within my knowledge, and I say that I did not ask for that letter. The hon. member says I did, and I say I did not. Under the rules of this house, it does not lie within the right of any hon. member to question the statement of another hon. member in relation to a matter within his knowledge.

Mr. Martin (Essex East): Under the rules of the house, the minister is right. However, the fact is that the minister now, in view of the importance of the Bryden letter, in view of what he has said about comments that have been made by a government official with regard to that letter, owes it to the house and to the country to ask Mr. Bryden, at the earliest possible moment, for permission to divulge the contents of that letter. I am sure Mr. Bryden, who has nothing to be ashamed of in this matter, who acted with the best intentions even though his course may not be fully supported by all of us in this house, would not now take the position that that letter should not be divulged so that we can ascertain the real circumstances in this matter.

Mr. Fleming (Eglinton): He said so on June 28, which was last week.

Mr. Martin (Essex East): I know he said so, and I am suggesting why he said so. Does the minister deny that there was any collaboration between him and Mr. Bryden with regard to this last letter? Does the minister deny that he called Mr. Bryden on the phone and said that there was discussion in the house—you have seen a report in the papers about it, don't you think you ought to write me again and among the things that you ought to suggest is that this letter of April 4 should not be made public? The minister denies that.

Mr. Fleming (Eglinton): I certainly do deny that.

Mr. Martin (Essex East): I said you have denied it.

Mr. Fleming (Eglinton): Will the hon. member refrain from indulging in these fictional expeditions and tell the truth?

Mr. Martin (Essex East): Let the Minister of Finance not forget that his conduct in this matter is under examination, not that of the governor of the Bank of Canada. We have a right to find out whether or not there was collaboration along the lines I have indicated. Otherwise, why would there be any reluctance to table the letter of April 4?

Mr. Fleming (Eglinton): Because it was confidential.

[Mr. Martin (Essex East).]

Mr. Martin (Essex East): That is only fair to Mr. Bryden, and the reason the minister does not want to expose that letter is that it will put him in a different position in regard to this pension proposed by a Tory board of directors. That is the reason, and there is no other. If that is not the reason, then why does not the minister go to his friend and say, I believe this letter of April 4, now that it has been referred to by the governor, now that it has been discussed in the House of Commons by that terrible man from Essex East, should be tabled.

If the minister thinks we are having an inquiry this afternoon, he has a second thought. The minister at every turn is dodging every issue. He is precluding our receiving answers to specific questions. Now he seeks to confuse this whole pension issue which he wishes to create as a separate issue to provide a smokescreen, to provide a screen against his own ineptness in handling these important matters that are now engaging this House of Commons. That is the reason, and it is because of that that we insist on knowing the circumstances the minister has not yet revealed with regard to his part, and the part of his government, with regard to a matter about which now they give the pretence that they are against.

Let it not be forgotten that the man who proposed this pension was a close friend of the minister. Let it not be forgotten that he proposed it to a board of directors, the great majority of whom were supporters of my hon. friend's party. Let it not be forgotten that they were appointees of the Conservative party. They are the ones who are responsible for this pension, and the minister, by no method that he can employ, can hope to escape the responsibility vicariously by putting the responsibility for this pension arrangement onto the shoulders of others. We are not here to defend any individual. We are here trying to ascertain the facts, and we are not able to get those facts from the Minister of Finance.

Mr. Fleming (Eglinton): I doubt, Mr. Chairman, if the truth has ever been handled so lightly in this House of Commons as it has been just now by the hon. member for Essex East. In typical fashion, as he has on various other occasions in the course of this debate, he has set up his straw men, entirely the creatures of his own fiction and imagination, and then proceeded to argue as though his fictional presentation were factual. Well, it is not; it remains fiction as it was from the beginning.

Mr. Martin (Essex East): Give us a chance to find out.

Mr. Fleming (Eglinton): Well, Mr. Chairman, there are ways of asking questions without making statements that are utterly untrue.

Mr. Martin (Essex East): Not with this minister.

Mr. Fleming (Eglinton): The hon. member and I, I think, are coming to understand each other better. I will say of him that he has uttered this afternoon a series of false charges, one after the other—

Mr. Martin (Essex East): On a point of order, Mr. Chairman—

Mr. Fleming (Eglinton): —made out of whole cloth.

Mr. Martin (Essex East): On a point of order, Mr. Chairman, may I say that the hon. gentleman has made a statement that I am not going to even ask him to withdraw. I have not made any false charges. I have asked questions of the hon. gentleman who is now under cross-examination. Let him not think that he is the accuser in this situation. In the present instance, in respect of this matter, he is the accused and because of that we have a right to put questions to him in a form that will reveal the true situation.

Mr. Fleming (Eglinton): If I am the accused and the hon. member for Essex East is the accuser, then I say, and repeat, that I am falsely accused. I hope I make myself clear.

For the twentieth time, Mr. Chairman, let me say that never was the subject of the governor's pension discussed with me. Never did I hear reference to the change that has been made by the board of directors in the provision for the governor's pension until late March, 1961, something like 13½ months after the meeting at which this had been done.

The hon. member is following a strange course when he says he does not like the pension but he seems to like the man who is going to get the pension if he can get it.

Mr. Martin (Essex East): I never said that. If the minister is going to quote me, I would ask him to quote me correctly. What I said was—

Mr. Fleming (Eglinton): It is quite clear. The hon. member tried to make us believe that he did not like the pension, but I say he likes the man who is claiming the pension. If the hon. member for Essex East can have his way in this debate, it is quite clear that the governor will get his pension; he will not get it now but they would stall off this discussion, if they could, until December 31, when the period of the governor's term will expire anyway and they will evidently be pleased then to see him come off with this handsome pension.

I have made it quite clear—and I made this very clear to the governor of the bank when I saw him on May 30—that the reaction of the cabinet to this pension, when they heard of it, was one of shock and consternation. That is our view of this pension. We do not hold the governor responsible for actions taken by others. However, we hold him responsible for his own actions or his failure to take action where it is properly to be expected of the governor of the Bank of Canada under such circumstances. It was for that failure that he was held responsible. It is for that failure that he is being judged I say that it is the view of the government, as it has been since we heard of this matter, that is was a dereliction of duty on the part of the governor of the Bank of Canada not to see to it that the government was made acquainted with this handsome increase provided for him on February 15, 1960. After all, the board of directors under the Bank of Canada Act is not completely supreme because that act gives the governor the power of veto, so great are the powers of the governor under this act. If those powers are great, so is the responsibility that goes with them. With great power goes high responsibility, in the view of the government; and that responsibility was not discharged.

I do not hold the governor responsible for actions taken by the directors, but we hold him responsible—a man who had the power of veto—in that he did not at least see to it that the government was made aware of this handsome increase.

When an opinion was given some years ago that the approval of the governor in council to a pension by-law passed by the board of directors of the Bank of Canada was not essential to the validity of that by-law, that opinion did not say that such a by-law, if it affected the governor's personal pension, should not be reported to the governor in council. That is a very different matter. Here we are in the realm of what is the assessment of responsibility. It is in this realm that we should ask whether there has been good conduct on the part of the governor of the Bank of Canada, holding an office than which there is none higher or more important in this country outside the government itself. Mr. Chairman, we say that responsibility was not discharged in a matter affecting the personal interest of the governor of the bank.

It is all very well now for hon. members opposite to try to hide behind a decision of the board of directors. It is all very well for the governor of the Bank of Canada now

to try to hide behind a decision of the board of directors. But what of the decision of the board of directors when that same board of directors a month ago asked the governor for his resignation? When it suited the governor on that occasion, he ignored the resolution passed by the board of directors. He defied them, as no decision of the board of directors in that regard was to be construed as binding upon him. But in a matter which affected his personal interest under this by-law, with more than a doubling of his pension involved, an increase from less than $12,000 per annum to $25,000 per annum for life and payable immediately on retirement in this case at 51 years of age—

An hon. Member: Shame.

Mr. Fleming (Eglinton): —in that case the governor is prepared to say. "Oh, well, I stand behind the decision of the board of directors". If the decision of the board of governors was something for him to stand behind as of February 15, 1960, what then of June 13, 1961, when the governor defies the same board and then goes out and defames the board in public utterances that the governor then proceeded to issue?

Mr. Hellyer: Will the minister permit a question?

Mr. Fleming (Eglinton): Yes.

Mr. Hellyer: Is it not true that there is an arrangement under which the governor would not collect his pension at age 51 if he had other alternative employment at the time?

Mr. Fleming (Eglinton): No. There is no such arrangement. This is just a red herring that was drawn across the trail by the governor of the bank in one of those recent public statements or letters of his. There is no such thing involved. It is so interesting, Mr. Chairman, to have this red herring put up now. When I asked for his resignation when I met him on May 30, why did the governor in putting to me three questions ask me "What about my pension?"

Mr. Martin (Essex East): Let us examine him.

Mr. Fleming (Eglinton): Anybody with any knowledge at all knows perfectly well that there are no such conditions as those suggested now by the hon. member for Trinity written into this by-law or the claims that the governor makes under it. This is just a red herring, Mr. Chairman; nothing more.

Mr. Martin (Essex East): Let us find out whether it is a red herring.

Mr. Fleming (Eglinton): If you don't know yet, you will never know because your mind is blocked.

[Mr. Fleming (Eglinton).]

Mr. Martin (Essex East): That is brilliant repartee.

Mr. Fleming (Eglinton): I think it is obviously an act of mercy that the hon. member for Essex East is kept on in this house as a sort of pensioner. It is quite obvious that, if this is the kind of interpretation he can give to by-laws, it is a good thing he is not thrown out in the world practising law again.

Some hon. Members: Oh, oh.

Mr. Martin (Essex East): Let me tell my hon. friend that my constituents will send me here long after the hon. gentleman will have left here.

An hon. Member: You had a fairly close call the last time.

Mr. Fleming (Eglinton): Mr. Chairman, the hon. member is smiling.

Mr. Martin (Essex East): I am laughing.

Mr. Fleming (Eglinton): I do not wish to ruffle him any more. We wish to keep on the subject here.

Mr. Martin (Essex East): Oh, oh.

Mr. Fleming (Eglinton): I have had occasion at other times to remind him that in the last election, when he came through literally by the skin of his teeth, he did not run as a Liberal. I saw his election signs in Essex East and the word "Liberal" was conspicuously absent. This is the man who just two months previously had run for the leadership of the Liberal party.

Mr. Martin (Essex East): Let us examine the governor.

Mr. Fleming (Eglinton): I think the hon. member ought to be a little more loyal to his leader.

Mr. Chairman, I have endeavoured to make these facts plain. We are engaged in what appears to be constant repetition. I can only say that, so far as my answers have been repetitive, they are repetitive only because the questions have been repetitive.

Mr. Pearson: Mr. Chairman, let us finish this subject.

The Chairman: Order. The hon. member for Skeena was seeking the floor.

Mr. Howard: I have not that sort of intimate relationship that Mr. Coyne has with members of the Liberal party and I have been watching with amusement some of the activities that have been engaged in recently on both sides. I have not said anything yet on this particular bill at either stage—

Mr. Webster: Don't spoil the record.

Mr. Howard: My hon. friend advises me not to spoil the record. I would tell him that the Minister of Finance has dirtied it up enough already that it is not possible to spoil it any more. I would say that my position on this particular matter coincides with that expressed by the Minister of Finance when he introduced the bill. I agree with him that this is not a so-called Fleming *v.* Coyne dispute or issue. I do not look at it in that sense. I think what it is is a dispute and an issue between what is right and what is wrong; an issue between the rights of an individual to a fair hearing and the smearing attack engaged in by hon. gentlemen opposite from a privileged position in the house.

Mr. Martin (Essex East): Hear, hear.

Mr. McCleave: Good gracious; look who is talking. If anybody does that sort of thing, it is you.

Mr. Howard: Here is my hon. friend from Halifax, with that intimate interest in divorce that he has showing through again.

Mr. Peters: He should divorce himself from these serious matters.

Mr. Howard: The Minister of Finance started off with the statement that he was going to present facts to the committee, but he so interlaced those facts with half truths, untruths and fiction that the record now reads like something that would be prepared in a weird tales and fantastic stories publication. Arising out of it all I am forced to have some doubts about the truthfulness and the veracity of the minister himself—

Some hon. Members: Oh, oh.

Mr. Howard: —some serious doubts about them, in view of what he has said.

Mr. Fleming (Eglinton): Obviously, Mr. Chairman, the rules of the house are being deliberately broken here—

Mr. Pickersgill: The hon. member has only said he has his doubts.

Mr. Fleming (Eglinton): —and I ask that the rules be enforced and the hon. member be invited to withdraw that statement.

The Chairman: This problem has arisen before and it may help the committee if I read citation 145 of Beauchesne's fourth edition, page 126:

> It has been formally ruled by Speakers in the Canadian commons that a statement by an honourable member respecting himself and peculiarly within his own knowledge must be accepted, but it is not unparliamentary to temperately—

I think I should underline this adverb for the hon. member for Skeena:

> —criticize statements made by a member as being contrary to the facts; but no imputation of intentional falsehood is permissible. A statement made by a member in his place, is considered as made upon honour and cannot be questioned in the house or out of it.

I suggest that the hon. member for Skeena has done more than temperately criticize statements made by the Minister of Finance and should correct it.

Mr. Macdonnell: Mr. Chairman, I am not quite sure whether this is a proper question of privilege, but it will only take a minute. I have been in this house for 15 years now, 12 of them in opposition. I do recognize that with regard to the opposition we should be very sympathetic with those who take pretty wide latitude and perhaps talk a little irresponsibly at times. But as far as I can remember, only within the last three months would any one have dared in this house to suggest that the Minister of Finance could stray from the truth. These things which are being said opposite—are being said carefully and usually fall short of containing an actual accusation, but I do suggest there are certain decencies which should be preserved in this house and which are in danger of not being preserved.

Some hon. Members: Hear, hear.

Mr. Martin (Essex East): Let the Minister of Finance observe those decencies.

Mr. Howard: The Minister of Finance is the first one in this house to fail to observe those decencies. Apparently these decencies to which the hon. member for Greenwood has referred, for which he and others have high respect, are not adhered to by the government in the treatment—

Mr. Browne (St. John's West): On a point of order, Mr. Chairman—

Mr. Robichaud: Here is an expert getting up.

The Chairman: Order.

Mr. Howard: There are slurs and slanders against the governor —

The Chairman: Order.

Mr. Browne (St. John's West): I have as much right to get up as anyone else. We have heard a lot of talk about closure, and when I get up, after listening for days to speeches, I am not allowed to speak. The point of order is this. The hon. member for Skeena referred to—

Mr. Howard: Mr. Chairman, you cannot have two points of order at the same time.

Mr. Browne (St. John's West): —the half truths and untruths spoken by the Minister of Finance. He should withdraw that statement.

The Chairman: I have invited the hon. member to do so and I was hoping he was coming to it.

Mr. Howard: I was proceeding to that point, Mr. Chairman, when the hon. gentleman—what position does this hon. gentleman hold now?—the Solicitor General, interrupted. I do not know whether the Minister of Finance engages in half truths and untruths, but I will withdraw the implication, if it was contained in my remarks, that he has engaged in those sort of things, on his own word. I have my own doubts and my own thoughts.

Mr. Churchill: Withdraw it like a man, instead of only half withdrawing it.

Mr. Bell (Carleton): You would not expect him to withdraw it like a man.

Mr. Howard: Fortunately, Mr. Chairman, this government is not yet in a position to engage in thought control, as much as it would like to do so. It may have that sort of authority and control over hon. members on the other side of the chamber, but heaven forbid that it should go any further.

Mr. Hellyer: They just hide letters.

Mr. Howard: In my opinion what has occurred here is that Mr. Coyne has not been treated in a decent and honest manner by this government, because it has consistently refused to submit this particular question to a committee where Mr. Coyne can be examined under oath, where the Minister of Finance can perhaps be examined under oath, and where other officers of the Bank of Canada can be examined under oath.

Mr. Churchill: On a point of order, Mr. Chairman. The question of the reference to a committee was decided by a vote of the house yesterday and there should be no further reference to that matter during the course of this debate.

An hon. Member: Decency.

Mr. Pickersgill: It was not a question that was decided yesterday.

Mr. Howard: We all know the attitude of the Minister of Veterans Affairs on these and other matters also, but I still say that it is because of the refusal of this government to reconsider its position that Mr. Coyne is not being treated in the manner to which the hon. member for Greenwood referred a while ago. It appears that all that is desired with regard to the Bank of Canada is to make it a political puppet or a tool of the government that will jump any time some crackpot minister of finance wants to crack the whip—

Mr. Benidickson: Including the directors.

Mr. Howard: —to operate under direction for political purposes; not for sensible, planned purposes either. I do not know Mr. Coyne. I have never met him. I have never spoken with him. I do not particularly favour his policies, any more than I favour the policies of this Minister of Finance. But I do favour his right to be heard; not the manner of being heard to which he has resorted within the last few weeks—I do not agree with that either.

The Minister of Finance has the right to stand up in this house and to make statements of fact, or what he claims are facts, and when those facts are questioned, to insist upon his parliamentary right of having those statements accepted as true. He has engaged in that activity regularly and continuously. He has, as I said, interlaced them with some fiction, some imagination and hallucinations, and these we have to sift from the facts themselves. But Mr. Coyne does not have an opportunity to present his point of view to the people who are being asked to fire him, and to be examined on that point of view, as has the Minister of Finance who is now in the position of being examined in so far as his activities are concerned. As I said, I disagree with the manner and the course Mr. Coyne has followed in issuing press releases. I disagree with the words of those releases. Many of the words contained in them are as inflammatory as those which the Minister of Finance could employ even in his most gentle moments. But there are some serious charges made in some of these letters which Mr. Coyne has released. One of them is a charge against the Minister of Finance about certain budgetary matters having come to the attention of the governor of the Bank of Canada and the statement that changes were subsequently made in the budget. This is a serious charge to level against the minister. And how does the governor know? Did he see the budget? The minister said he did not—Mr. Coyne is a liar; he did not know things of this sort. Yet if somebody in this house calls the Minister of Finance a liar he immediately runs foul of the rules as was shown a moment ago.

Not only can that word "liar" not be applied to the Minister of Finance or to anybody else, but we cannot even question the degree of truth in an answer or the fullness of an answer given by the Minister of Finance when he rises and says: you must accept my word, because the rules say so. But the rules allow the Minister of Finance and others

to cast slurs and accusations against Mr. Coyne for statements he has made publicly in the press. This is a disgraceful way to run the affairs of this nation. Such accusations are disgraceful especially coming from a Minister of Finance who just a few years ago had his bench covered with the union jack, who also some years before that was a Sunday school teacher and an active participant in the United church. For him to engage in an activity of this sort from a privileged position against any individual in society is disgraceful and not in keeping with that sense of decency which the hon. member for Greenwood mentioned a while ago. No wonder the hon. member for Greenwood resigned from the cabinet, if this sort of thing goes on.

Not only is this activity a disgrace to our parliament and to our concept of freedom and rights and a disgrace to what we thought we had enacted when we enacted the bill of rights, but it is also a disgraceful way to deal with a corporation such as the Bank of Canada—to fill it up with toadies who are going to jump every time the government cracks the whip for any unprincipled political reason whatsoever. Let us take a look at some of the directors—some of the people who might become governor after Mr. Coyne has gone. Reference has been made to the number who have been appointed since this government took office. Their names are in the annual report and there is no need to refer to them specifically. The years 1958, 1959, 1960, 1961 are the years when these gentlemen were appointed to these positions. Let us take one of them from my own province of British Columbia, Mr. Frederick Field. He was appointed first, I believe, on December 1, 1958 by this government, then reappointed in 1959 for the normal period. This is how the Bank of Canada is being operated, and this is the purpose of some of these appointments. Here is a gentleman, Mr. Field, who contributed $5,000 to the slush campaign fund of the Secretary of State for External Affairs in 1958. That is evidence of his association with the Tory party. Here is a gentleman, Mr. Field, who kicked in $7,675.88 to the campaign fund of the hon. member for Vancouver Centre. Here is a gentleman, Mr. Field, who contributed $5,000 toward the election of the hon. member for Cariboo, another Conservative; a gentleman who contributed $3,000 toward the election of the hon. member for Vancouver South. Here is a total of more than $20,000 contributed by one individual, as evidenced by sworn statements, to Conservative campaign funds. Shortly thereafter he ends up by being appointed to the board of directors of the Bank of Canada. Money talks. Money counts. If you contribute to the party we shall see that you are paid off, one way or another.

An hon. Member: How much did you get from Hoffa?

Mr. Howard: How much does this government get from Hoffa? I do not know how much they got from Hoffa but I would say this: I have just as much dislike for Hoffa as I have for hon. gentlemen opposite.

Not only has the government loaded the board of directors with its own pets, its own favourites who will jump when it cracks the whip, but the Minister of Finance is now involved in getting the Bank of Canada infiltrated with his relatives. Here is another pipe line into the operations of the Bank of Canada. Perhaps Mr. Donald Wilson may have had some relationship with the Minister of Finance in some of the things he has discovered about the Bank of Canada.

For a variety of reasons I have no intention of supporting this bill at this stage, or any other stage of the proceedings, unless this government admits to some sense of decency of treatment, some sense of honesty, some sense in keeping with our concept of rights and freedoms. Unless it admits to those and is prepared to refer this bill even at this late date to a committee of this house, I do not intend to vote for it. A government that wants to engage in the trial of an individual by slur and insult, a government that wants to proceed to a conviction by distortion and hypocrisy is wasting its time by asking me to support it on this issue.

Mr. Pearson: A few moments ago the hon. member for Greenwood made a plea for decency in debate. I would suggest to the hon. gentleman that the most decent thing to have done in this situation would be to have given the man whom we are being asked by act of parliament to turn out of his job, a chance to appear before a committee of the house.

If there ever was a case made for that procedure to have been followed weeks ago, that case has surely been made and reinforced this afternoon. If that had been done this matter would have been decided a long time ago. It would have been decided after all the evidence had been taken on both sides and witnesses called, witnesses who could contradict each other if necessary. Instead, we get selective confidentiality from the Minister of Finance and selective statements from the Minister of Finance. That, I claim, is not the decent way to proceed in respect to a man with whom we may disagree but with whose right to be heard before he is turned out we do not disagree.

Governor of Bank of Canada

Mr. Macdonnell: I endeavoured yesterday briefly to state why I voted against the amendment, and perhaps my chief reason was that I understood the Leader of the Opposition and as far as I know everyone else in this house had reached the conclusion that the governor of the bank could not continue to hold his position. I stated that, and it was not contradicted. Apparently, in the last 24 hours there has been a great change of front.

Mr. Pearson: If the hon. member had been in the house at 2.30 he would know that I dealt with that point in the reply I made to the statements of the minister this morning. Of course, the government has destroyed the value of the governor of the Bank of Canada. Of course it has. Of course, the governor of the Bank of Canada cannot continue to serve with this government. But before he is thrown out, surely he is entitled to state his case.

The hon. member is a gentleman and he is a sportsman, and he must realize that when the governor says there is no disagreement and when he had asked for the right to be heard he should, surely, be entitled to that right before we pass this act of parliament discharging him. That is what I mean by decency, and that is why I shall vote against this bill, and for no other reason.

Now, Mr. Chairman, the Minister of Finance in dealing with the pension matter said that the governor and not the board of directors, eight of whom were appointed by his government as well as the chairman of the pension committee who is a great friend of his, must take the responsibility for this course of action which was unanimously adopted by the board of directors. It is not the Tory board of directors but the governor who is culpable because he did not stop this action.

In respect to the knowledge of the minister of this matter, we accept his word—he knew nothing about it. However, his friend and confidant, Mr. Bryden, had the following to say, I will read from his letter of June 28, 1961 which was made public:

I had two conversations with you with respect to pensions. The first was in August 1959—

Mr. Martin (Essex East): Hear, hear.

Mr. Fleming (Eglinton): Do not stop there, go on.

Mr. Pearson: Yes, of course, I will read the rest of it. It continues as follows:

—when in a very casual conversation I said that a subcommittee of the board was giving consideration to the bank's pension fund—

Mr. Fleming (Eglinton): Read the next sentence.

Mr. Pearson: Yes, I intend to.

[Mr. Pearson.]

—and to salaries. No reference was made to the special provisions dealing with the pensions of the governor and deputy governor—

The minister knew that a committee of the bank directors was studying the question of bank pensions, and he knew that in August of 1959. The minister's deputy and his assistant deputy were aware of the action that was taken.

The minister will correct me if I am wrong when I say—this has been stated by the governor—that the deputy minister had given his approval to the pension arrangements one week before the meeting of February 15, 1960. The deputy minister knew about it and the assistant deputy minister knew about it, and the minister knew that a pensions committee of the bank was operating under his friend, Mr. Bryden.

Mr. Fleming (Eglinton): No.

Mr. Martin (Essex East): Of course you did, what do you think we are?

Mr. Pearson: Yet, with the two senior officials of his department with full knowledge of what went on because they attended the meeting when the decision was made, the minister tells us that so little did he know about the workings of this affair and the workings of his department in respect of the Bank of Canada, he knew nothing about this until March 1961. Well, we accept the minister's statement, but that is a strange way to run a department.

Then we have this letter of April 6 from Mr. Bryden which the minister claims that the governor of the bank has distorted. The minister has given his own interpretation of that letter, but surely that is another reason why we should have a committee go into these matters. The minister having claimed that this letter has been mispresented, why does he not remove all doubt by tabling the letter and making it public? He says it is a confidential letter, but he does not mind referring to that confidential letter in giving his own interpretation of it. All he has to do is ask Mr. Bryden, and he is in close touch with him, to give permission to having this letter made public, and I am sure it will be given, then this doubt will be removed. The minister will not do that. The minister cannot expect to have it both ways. If he wants to remove himself from suspicion in these matters let him give us all the facts on the basis of the evidence and documents. Until he does that, we have the right—

Mr. Benidickson: He is concealing the evidence.

Mr. Pearson: —we have the right to assume that the whole story has not been told and that the government will not allow it to be told.

Mr. Martin (Essex East): Hear, hear.

Mr. Peters: Mr. Chairman, I am quite perturbed by this whole matter.

An hon. Member: Oh, oh.

Mr. Peters: I am not perturbed particularly because of the fight between Mr. Coyne and the Minister of Finance, because, as I have said before, I think they are both Conservatives with Conservative attitudes, and I still believe that there is very little difference between them, and that difference is purely between two men who cannot get along. However, I am perturbed because I think the minister has been misrepresenting the facts to this committee and to the country in relation to the pension, and I only wish to talk about that aspect of the question.

Mr. Norman Campbell in the Ottawa *Citizen* of July 4, 1961, had the following to say:

> Had governor James Coyne been contributing to the civil service superannuation fund instead of to the Bank of Canada's own pension fund, he would be eligible for a pension of over $24,000 on his scheduled retirement December 31 next.
>
> The pension would be computed at 2 per cent of salary for each year of service.
>
> This is interesting in light of the fact that the $25,000 pension authorized by the bank's directors was the prime reason first given by finance minister Fleming for seeking Mr. Coyne's resignation.

Mr. Fleming (Eglinton): What are you reading from?

Mr. Peters: I am reading from the Ottawa *Citizen* of yesterday.

Mr. Fleming (Eglinton): It is full of false statements.

Mr. Pickersgill: Everyone is false but the minister.

Mr. Peters: I would not say the minister has given false statements to this house but he has confused the facts to such an extent that no one knows what is right and what is wrong. I am quite sure that Norman Campbell sitting in that exalted fourth dimensional position—

Some hon. Members: Oh, oh.

Mr. Peters: There may be some who say that the position of those in the fourth estate is an eminent position. I suggest it is fourth dimensional, and perhaps that is true as well. To go on with the article, it reads as follows:

> There is an unwritten understanding that no governor of the Bank of Canada, or other senior official, will draw his pension if he goes to a salaried job on retirement—that is, not until he leaves the salaried job.

The article continues:

> That is the reason president Donald Gordon of Canadian National Railways receives no pension from the Bank of Canada, where he was deputy governor.

Is the minister aware—he is a very intelligent man with very intelligent assistants, as I have pointed out on a number of occasions before, particularly his assistant in the house who is familiar with the Civil Service Act and civil service pensions—that this pension is not out of line with pensions under the civil service itself? While it is true that the rate may be a little higher than is normally paid to deputy ministers and others in that category, if the pensions paid to individuals in other categories had the same percentage applied to them those pensions would be considerably higher. The minister has not said that there is anything wrong with the application of this 2 per cent formula. Perhaps I am drawing a supposition similar to that drawn by the hon. member for Essex East, this afternoon—

Mr. Martin (Essex East): You must not do that.

Mr. Peters: It is my opinion that because of pensions paid to retired directors of the Bank of Canada, the minister was able to go to the governor of the Bank of Canada and tell him if he did not publish the changes in the *Canada Gazette* then the payments made to other individuals receiving pension under the new scheme would be illegal. I do not think the change in the pension itself is a factor involved in this fight.

We believe that the pension of $25,000 is unreasonable particularly in relation to the size of pensions being paid to the retired people of this country. We say this pension is much too high in relation to the majority of pensions being paid to other individuals. I do not think that this change in pension was at any time a factor in the position taken by the Minister of Finance regarding the resignation of the governor of the Bank of Canada. I am sure if we had the opportunity, as the Senate will have, of finding out some of these facts, we would discover that most of the concern in respect to the governor of the Bank of Canada did not arise because of the philosophical position taken by the governor, but arose because the government intended to achieve control of this bank in that manner. This was a more serious threat to the economy according to the thinking of some of the leading people involved in the situation than was the fact that this man would probably get a $25,000 pension on retirement at such an early age. I think that the minister has not been fair with the committee.

Governor of Bank of Canada

I should like to speculate on what is going to happen to this bill. I think there are only one or two things that can happen. The bill will be put through by the large Conservative majority. They have already called back most of their members and they will use their majority to see that the bill is passed by the house. When the bill goes to the Senate, the Senate may well be threatened that if they take a position contrary to the wishes of the government the Prime Minister will come into the house and say that there has to be Senate reform and parliament will be dissolved and they will go to the country on Senate reform. This will probably be the final outcome of this matter. If it is not, I think the senators will have to give consideration to soft-pedalling the questions they ask. If they do not, they will find out some of the answers that we in this house want.

One question in which I and all Canadians, I think, are interested, is what is wrong with the financial institutions of this country? Why have we not been able to get greater Canadian participation in our national development and what roles does the Bank of Canada play in this field? Canadians will want to know that; the senators, I hope, will want to know that, and we in the House of Commons want to know the answer to that.

We are not particularly interested in whether Mr. Coyne parts his hair one way and Mr. Fleming does not like it or whether Mr. Coyne does not like the looks of Mr. Fleming. We are not particularly interested in this personality clash. In putting this matter before the Canadian people I think we have been unfair in trying to put it on the basis of whether or not a $25,000 pension for this man is too much or not enough. I would also suggest that Mr. Coyne, after his many years of working for the Bank of Canada, probably has as good qualifications to run big business as have some of the other people who have come from that particular field. One man who got very close to the top in the Bank of Canada was Donald Gordon who now has a salary of $75,000 a year and who, unless some decision is made otherwise, will probably continue to serve as the head of Canadian National Railways.

Mr. Pickersgill: Nobody knows.

Mr. Peters: If the minister is not able to do what he appears to be trying to do, to blacken the personal reputation of Mr. Coyne, I say that Mr. Coyne will be able to get a substantial job and will not need to ask for his pension for a good many years to come.

It has been interesting to note that it has been pointed out in the press that the changes in the pension plan in general covering employees of the Bank of Canada at all levels have resulted in a reduction in the total cost of their pensions to the Canadian people and not an increase. The fact that one pension at the very top has reached the proportions it has has not cost the Canadian people anything and I suggest it is not necessarily going to cost them anything for a number of years to come.

I suggest to the minister that he should rise in his place and tell us whether he really thinks that a pension of $25,000 is too high. If he does think it is too high, will he consider changing the whole scheme of pensions of civil servants which is based on the very simple principle of a contribution of 2 per cent of the earnings of the employee? If there is unfairness at this high rate there must be unfairness throughout all other levels of rates in the pension program.

Mr. Pearson: May I ask the minister one further short question on this matter before he replies? It is this. If the minister thought that the action taken by the board of directors of the bank on this pension matter was improper and if the government, as the minister has told us, received the news of this action 18 months later with shock and consternation, did the government consider either asking the board of directors to reconsider their action instead of blaming the governor for it or asking the board of directors, which took this action that caused shock and consternation, to resign?

Mr. Fleming (Eglinton): As to the effect of the by-law and of courses that may be taken to deal with this pension, this question will be dealt with in due course. There are various aspects of this matter that are under consideration relating to the validity of the by-law and this matter is receiving study. The hon. member for Timiskaming—

The Deputy Chairman: Order. I might intercede at this point to reflect for a moment on what I thought I heard coming from some area in the house and that was the addressing of the first minister by his first name. Of course, this is very much against the rules as is well known to the member who made the remark. I cannot positively identify who it was but I would ask that member, who should know this rule very well, to desist from this type of interjection.

Mr. Fleming (Eglinton): The hon. member for Timiskaming drew certain inferences from an article in yesterday's issue of the Ottawa *Citizen* which he read. The portions of the article that he read contained one misstatement after another. Various of them have been raised in discussion here today. The

writer of that article keeps going back again and again to assert that the prime reason for asking for the resignation of the governor was this matter of the pension. This was one of five reasons. The article takes us back to the first statement issued by the governor, who gave a very misleading impression of the conference held on May 30. I wish to deal particularly with what that erroneous and misleading article says with regard to the pension. This article seems to suggest that this pension is comparable with those payable in the civil service. I say that is a very misleading presentation.

The superannuation act was amended at the 1960 session of parliament on motion of the government and the effect of that amendment was to increase the superannuation provisions so that persons qualifying under the act might have a pension based on 35 years' contribution at the rate of 2 per cent per annum and with the pension based upon the six best earning years. The highest salary paid in the civil service, as was pointed out yesterday by the hon. member for Carleton is $24,000 a year. That is the highest salary paid. How anybody can make 70 per cent of that come anywhere near the pension payable to the governor will be a stretching of any mathematical process.

But that tells only a small part of the story. The fact is that these pensions under the superannuation act are payable to persons retiring at age 65. Here is the governor who is able to retire at age 51 and draw a pension of $25,000 per annum. Moreover, the pension payable under the superannuation act is a contributory pension and the rate of contributions was increased last year. But what about this pension, this increase? It was a contributory pension, it is true, when on February 15, 1960, the board of directors of the bank increased it. Up till that time the contributions by the governor had been $1,500 per annum but when his pension rate was more than doubled on that occasion what about the contribution? He does not contribute on a full salary of $50,000 a year. Under the by-law he contributes on only $40,000 of that. I am informed that in 1960 his pension contributions, following the increase on February 15, amounted to a total of $2,287.50 of which $1,500, of course, was deductible from his income for tax purposes and $787.50 was taxable. This year, 1961, if his contributions run a full year, he will contribute $2,400, of which $1,500 will be deductible from income for tax purposes and $900 will be taxable.

Now, Mr. Chairman, when I look around the civil service of this country and I see a writer in the Ottawa *Citizen* comparing the pension rights available to the governor under this pension by-law of February 15, 1960 and think of the provisions that are available to civil servants, then I say I do not know of any civil servant in this country who would not jump at the opportunity to trade places with the governor under those circumstances. As a matter of fact, I think most people in this country would jump at the opportunity to trade places with anyone who could retire at age 51 on a pension of $25,000 a year for life.

Mr. Pearson: Fire your board.

Mr. Fleming (Eglinton): I have already dealt with that subject. I do not know whether or not the Leader of the Opposition paid any attention to that subject. I hope my remarks sank in.

Mr. Pearson: Yes, I recall every word.

Mr. Fleming (Eglinton): There is another comparison that I think it is not unfair to draw here. I made a return to the house or answered certain questions on June 26 as recorded at page 7032 of *Hansard*. One of these questions concerned the various pension amending by-laws over the years and the rates of contribution under those.

A question was asked as well on another occasion, about the extent of the pensions paid. I have informed the committee as to the extent of the pension paid to the former governor of the bank, Mr. Graham Towers, after his long service. It is just about the amount that the present governor would have had if there had not been that change in the pension by-laws in February, 1960. It is said in this newspaper article that it is something like an unwritten rule that if the incumbent of this office of governor finds himself a salaried position outside upon retirement he forgos or waives his claim to pension. This is indeed something new, Mr. Chairman. There is no justification for any such assertion.

It may enter into the minds of the directors, and undoubtedly did enter into the minds of directors who voted for this increase in February, 1960, that a governor whose term of office expires cannot expect to step out into another position immediately with a corresponding salary. After all, there are not that many positions in this country that pay a salary of $50,000 a year with a pension of $25,000 per year payable on retirement at whatever age in life that may come. But, Mr. Chairman, there is no foundation whatever for the assertion or allegation that there is some unwritten rule or understanding that if a former governor, in receipt of a pension finds himself a salaried position elsewhere

he will forgo or waive the pension to which he is entitled from the bank; that is just made out of somebody's imagination.

I refer hon. members to what I said at page 7178 of *Hansard* of June 28. There I pointed out that the maximum pension payable today by the Bank of Canada, and as I mentioned at that time this is the pension of the former governor Mr. Graham Towers, is $1,145.83 per month. This is a pension of approximately $13,500 per annum after the long service which Mr. Towers gave as governor of the bank from 1935 until the end of 1954. I think, Mr. Chairman, we should have some regard for a proper basis of comparison and not be misled by the kind of newspaper statements by which the hon. member was evidently misled.

My final comment is this, Mr. Chairman. This present issue is in no sense attributable to any clash of personalities. It is attributable to questions of principle.

Mr. Chevrier: Before I ask some additional questions of the Minister of Finance, I wish to make an observation which I hope the hon. member for Greenwood and the minister will take in good part. During the course of the discussion this afternoon, in giving answers to questions as the minister did a moment ago, he seemed to be of the opinion that everything concerning this matter that comes either from this side or a source other than the government is false. He has said that the article in the *Citizen* which was written by Mr. Norman Campbell is replete with inaccuracies. He has said it is false; that some of the statements made by the Leader of the Opposition are false; that statements made by the hon. member for Essex East are false. He interrupted the hon. member for Bonavista-Twillingate to say that his statements were nothing but falsehoods.

The hon. member for Greenwood told us the Minister of Finance, in his attitude, could not stray from the truth. He was scandalized a moment ago at some of the things that were said here and thought they should not have been said. He nods his head now by way of agreeing with what I am saying, namely, that the Minister of Finance could not stray from the truth. Well, it seems strange that the truth can only come from that side and that from this side there could not be anything but falsehoods.

Mr. Macdonnell: I did not say that; in fact I was very careful not to say that.

Mr. Chevrier: I am now attributing the last part of what I said to the discussion that has been taking place, and not to the hon. member for Greenwood. What I did say about the hon. member for Greenwood was that he said the Minister of Finance could not stray from the truth.

[Mr. Fleming (Eglinton).]

Mr. Macdonnell: That is what I said.

Mr. Chevrier: That is what was said, yes. What I am saying now is this: It seems strange to me that the truth can only come from that side and cannot come from this side. How is it that during the course of this discussion we have been interrupted continually by the minister who has been rising in his place or interrupting from his seat to say, that is not true; that is untrue; that is false. This remark has been made repeatedly during the course of this discussion. He interrupted the hon. member for Bonavista-Twillingate, as reported at page 6917 of *Hansard*, to say this: "When are you going to start telling the truth tonight?" This is only one example of at least ten, if not more, which cover the pages of *Hansard*.

I am saying now that it seems strange to me that it is possible for those who sit on the other side to use the word "truth" very flippantly in so far as we on this side are concerned, but when we use it concerning those who sit on that side of the house, then it is against the rules; it dare not be used.

I come to the questions which I intended to ask of the minister. I would ask the Minister of Finance this question: According to the governor, at a meeting of the board on March 20 the governor asked the directors whether or not he should resign and all the directors said, no. Has the minister looked at the minutes of the meeting or has he discussed the matter with any of the members of the board of directors to ascertain whether or not that contention of the governor of the bank is accurate?

Another question I should like to put is this. Does the minister agree that the governor, at least until March 20, had the confidence of the board of directors of the bank? What was the relationship between the minister and the board of directors of the bank? Did the minister discuss with any of the directors, with all of them together or with any of them separately, the position or the views on the statements which were made by the governor of the bank before the month of June, 1961?

Mr. Fleming (Eglinton): I have not seen a copy of the minutes of the board meeting of March 20, the date to which the hon. member refers. I have said that the only portion of the minutes of the board that I have seen at any time was the extract from the minutes of the meeting of February 15, 1960, which I procured, according to my recollection, in April last.

So far as discussion with members of the board is concerned, may I say this. There are a number of these members of the board of directors with whom I am not personally acquainted and to whom I have never talked at any time. These men were appointed to the board. They were not appointed there on the basis of being told what to do. They were appointed on the basis of their being persons of experience who were put on that board to discharge the functions of directors of the Bank of Canada. I have made no attempt to tell those members of the board of directors what to do. A couple of them—I think probably three of them in all—spoke to me to express their great concern about the speeches which the governor was making and about the way in which they felt he was embroiling the Bank of Canada more and more in political controversy.

Mr. Chevrier: When was this?

Mr. Fleming (Eglinton): At various times during, I should say, late in this past winter and leading up to the spring.

Mr. Martin (Essex East): Before they gave him a vote of confidence?

Mr. Fleming (Eglinton): I am not aware of any vote of confidence.

Mr. Martin (Essex East): Oh, yes; you certainly are.

Mr. Fleming (Eglinton): If there is a vote of confidence recorded on the board's proceedings I should like to know about it, because I have not heard of it.

Mr. Chevrier: The minister did not direct his attention to the first question I asked him. May I say to him that when I put it to him he was speaking to his colleague.

Mr. Fleming (Eglinton): I answered the first question.

Mr. Chevrier: I submit to the minister that he did not answer it. The question I put to him was this. According to the governor, at the meeting which was held on March 20 he asked the directors whether or not he should resign and they said no. I am asking the minister whether he inquired of the directors whether or not that contention was accurate. He replied that he had not consulted the minutes. He replied that he had discussions with some of the board members. However, he has not answered the question as to whether or not the statement was accurate. In order to assist him in that matter I ask now whether he had a discussion with the deputy minister of finance, who is a member of the board, concerning this matter.

Mr. Fleming (Eglinton): Mr. Chairman, the hon. member put his question on the basis of the minutes when he asked it first and I dealt with that question. If he is asking me about any other source of information, I would say that, from the information I have received there was a quite warm discussion at that meeting concerning the speeches of the governor and quite strong disapproval was expressed not only of the course of his speeches but of the content of his speeches, and he was told that he was embroiling the bank in a political controversy. Indeed, I am informed that he was told on that occasion that he was in political controversy "right up to his neck", or some similar expression was used. As to this matter of his turning around then and asking those who had been speaking in this way if they were asking for his resignation, I have not precise information on this point but I am told that he challenged those who had been expressing themselves to this effect and asked if they wanted his resignation. They said no, that was not their purpose in raising this matter, and that they were expressing their opinions as directors concerning the course of action of the governor. The hon. member can draw his own conclusions. I have certain information as to the loss of confidence on the part of the directors in the governor in the light of these circumstances.

Mr. Chevrier: If the directors were of the view that the governor was in political controversy up to his neck, does it not appear strange to the minister that they would vote confidence in him as they did.

Mr. Fleming (Eglinton): They did not vote confidence in him.

Mr. Chevrier: The governor said so.

Mr. Fleming (Eglinton): I have no information that there was any vote at all. It was a matter of discussion. The governor turned to those who had been speaking in this vein and he said in effect, "Do you want my resignation?" or "Do you want me to resign?".

Mr. Chevrier: The governor said that they had voted confidence in him. He made that statement publicly in one of his letters.

Mr. Fleming (Eglinton): I do not think he said there was a vote.

Mr. Chevrier: I think so.

Mr. Fleming (Eglinton): Can you produce that reference?

Mr. Chevrier: I can look it up. I think that points up the fact that, if we had a committee such as the one we have been requesting during the course of this debate,

then without any doubt we would be able to get the truth in so far as this matter is concerned. We have, on the one hand, statements made by the minister that are completely in contradiction to those made by the governor. I should like to ask this additional question. Did the minister discuss the reappointment of Mr. Coyne with the directors before he told the governor on May 30 that the government would not approve his reappointment?

Mr. Fleming (Eglinton): I have not discussed that matter with the board. I have never met the board as a board at any time. However, I was aware of the feeling certainly of some members of the board who had lost confidence in the governor and who were not, as I was informed, prepared to recommend his reappointment on the expiry of this term.

Mr. Martin (Essex East): Is the minister not aware that the resolution asking for the resignation of Mr. Coyne by the directors expressed regret and that it was explained later by Mr. Baribeau that the reason that it was obvious that the governor and the Minister of Finance could not get along? Does the minister not recall that resolution?

Mr. Fleming (Eglinton): I recall the resolution but I do not recall any such statement as that which the hon. member has just made in regard to their view.

Mr. Martin (Essex East): There we have the Minister of Finance again, as always, not able to give us succinct answers so that we can get on with the many questions that should properly be addressed to him at the present time. The questions that I am going to ask will not require a speech by my hon. friend. I hope that he will be able to give succinct answers. Does my hon. friend remember the names of the two directors who met with the minister on June 2?

Mr. Fleming (Eglinton): On June 2 and 3 two of the directors came to see me. They were Mr. Hill and Brigadier Patrick.

Mr. Martin (Essex East): Were they the same two directors who on May 8 had made arrangements with the minister to meet with him on June 9 to discuss in a preliminary way the appointment of a successor to the governor on the expiry of his term?

Mr. Fleming (Eglinton): No. That is not right at all.

Mr. Martin (Essex East): Who were the directors who met with him at that time?

Mr. Fleming (Eglinton): At what time?

[Mr. Chevrier.]

Mr. Martin (Essex East): I am asking whether they are the same directors who met with the minister on May 8?

Mr. Fleming (Eglinton): The hon. member asked me who were the directors. What is the hon. member asking now?

Mr. Martin (Essex East): First of all, Mr. Chairman, my hon. friend has mentioned by name two directors with whom he had a meeting on June 2. My next question was, were they the same directors who on May 8 met with him—

Mr. Fleming (Eglinton): I have said no.

Mr. Martin (Essex East): —and made arrangements for a meeting on the 9th?

Mr. Fleming (Eglinton): I have said no.

Mr. Martin (Essex East): On May 8 did my hon. friend meet with directors to discuss points that were going to become effective on June 9 with regard to having a vacancy in the office of the governor of the bank?

Mr. Fleming (Eglinton): Mr. Chairman, this was the first time I had any discussion with Brigadier Patrick in relation to this subject. June 2 was the first time I had seen him in several months, or talked to him in several months. Mr. Bruce Hill, following the resignation of Mr. Bryden, was appointed the member of the board on the executive committee and also on a committee that was appointed to consider the question of a nominee for the office of governor for the new period commencing January 1, 1962. He telephoned me—he did not come to see me—early in May to indicate that he was leaving for Europe and on his return he hoped to have a discussion with me in regard to this subject of the nomination of a governor to take office in the new term.

Mr. Martin (Essex East): This was the Mr. Hill I take it, who was a former Conservative candidate?

Mr. Fleming (Eglinton): I think he does have that distinction, and a very worthy person he is indeed to hold it.

Mr. Martin (Essex East): Mr. Chairman, my hon. friend's reply surely should be, "Yes, Mr. Hill was a former Conservative candidate". I do not know why my hon. friend hedges his answer like that. He knows perfectly well, I suggest, that Mr. Hill was a former Conservative candidate.

Mr. Fleming (Eglinton): A first-class man too.

Mr. Martin (Essex East): My hon. friend says, "A first-class man". There are many Conservatives who deserve that designation. I cannot say that would apply to everyone in this house.

Mr. Fleming (Eglinton): A former president of the Canadian chamber of commerce.

Mr. Martin (Essex East): I know Bruce Hill very well. My hon. friend says he is president of the chamber of commerce. I know that. I am simply asking these questions. My hon. friend should not be offended just because I ask if one of his friends was a Conservative candidate. Is there anything in that to be ashamed about? If there is, why hesitate? Can the minister say whether he had talks with the governor or any of the directors between June 2 and June 12?

Mr. Fleming (Eglinton): No, I have not seen the governor since May 30.

Mr. Martin (Essex East): Yes or no.

Mr. Fleming (Eglinton): I have had no talk with him.

Mr. Martin (Essex East): The answer is no.

Mr. Fleming (Eglinton): He left my office that day asking for time to think the matter over. The next time I heard from him was on the morning of Monday, June 12 when the board was then meeting in Quebec city, when I received from him several letters which had obviously been written with a view to creating self-serving evidence.

Mr. Martin (Essex East): As far as the governor is concerned, the answer is no. My hon. friend could save our time by just saying yes or no, and the matter would be over. As between the 2nd and the 12th of June, did he see any of the directors?

Mr. Fleming (Eglinton): I said earlier, Mr. Chairman—and the hon. member has obviously forgotten it—that I saw Mr. Hill and Brigadier Patrick on the 3rd.

Mr. Martin (Essex East): Can the minister say whether he discussed with Mr. Hill the text of the resolution which was passed by the board on June 13, prior to its consideration by the board? Was it discussed in his office? Was it written in a letter? Was it discussed over the telephone, or by wire I simply wish to know—and the answer is yes or no—whether or not there was any indication by Mr. Hill as to the nature of the resolution which the Minister of Finance wanted the directors to pass on June 13.

Mr. Fleming (Eglinton): Mr. Chairman, Mr. Hill telephoned me to tell me of the text of the resolution which he had indicated to the governor the day before that the board of directors were seriously considering, which they hoped it would not be necessary for them to pass because they hoped he would have the good sense to tender his resignation under the circumstances.

Following the meeting of the board on Tuesday, June 13 I was informed—I was given the text of this resolution over the telephone and told that it had been adopted by a vote of 9 to 1.

Mr. Martin (Essex East): Again, Mr. Chairman, the response could have been yes or no—

Mr. Fleming (Eglinton): No.

Mr. Martin (Essex East): —but the minister wishes to embellish his responses, and there is nothing one can do if he so insists. May I ask the minister if he suggested any changes in the resolution as read over to him by Mr. Hill?

Mr. Fleming (Eglinton): No, Mr. Chairman.

Mr. Martin (Essex East): Is it not a fact that Mr. Hill did make a deletion in the resolution as read to the minister, after his talk with the minister?

Mr. Fleming (Eglinton): I have no knowledge of any deletion whatsoever. I certainly did not make any suggestions.

Mr. Martin (Essex East): The minister does not deny that there was a deletion after the talk, does he?

Mr. Fleming (Eglinton): Mr. Chairman, I have flatly denied that I knew anything about any deletion. I do not know whether there was any deletion. I never heard of one.

Mr. Martin (Essex East): I am not asking the minister whether he had any knowledge. I am asking the minister now whether or not, as a result of that conversation, there was a deletion. That is a different matter altogether.

Mr. Fleming (Eglinton): Mr. Chairman, I have no knowledge of any deletion whatsoever, so how can I have any knowledge of a deletion following the conversation? Certainly there was no talk about a deletion to me and I have never heard of any deletion, nor did I suggest any.

Mr. Martin (Essex East): My hon. friend's first answer should stand. He said he had no knowledge of any deletion. That does not mean he does not now have knowledge of a deletion as a result of his conversation with Mr. Hill.

Governor of Bank of Canada

Mr. Fleming (Eglinton): I have said, Mr. Chairman, that I have no knowledge of any deletion, and as far as I know the hon. member is just imagining something. I have no knowledge to this moment of any deletion.

Mr. Martin (Essex East): Of course, everyone is imagining things; everyone except the minister. Perhaps he is imagining this. I take it that the Minister of Finance has great confidence still in Mr. Bryden. The answer is yes or no.

Mr. Fleming (Eglinton): Mr. Chairman, the hon. member is still standing. I certainly think Mr. Bryden is a very estimable citizen.

Mr. Martin (Essex East): Does my hon. friend agree that Mr. Bryden is a man of good judgment?

Some hon. Members: Oh, oh.

Mr. Fleming (Eglinton): I will not make any judgment in relation to the pension and the by-law of February 15, 1960.

Mr. Martin (Essex East): My question was, not whether he had good judgment in relation to a particular matter but whether the minister's acquaintance with him established in his mind the fact that Mr. Bryden was a man of good judgment.

Mr. Churchill: What has this to do with the bill?

Mr. Martin (Essex East): Well, we shall see.

Mr. Fleming (Eglinton): Mr. Chairman, I think Mr. Bryden, like most people, is a man of very good judgment in many ways. Nobody has completely good judgment in all matters. The hon. member for Essex East has good judgment in some matters.

Mr. Bell (Carleton): Very few.

Mr. Fleming (Eglinton): It is a question, always, of how many. I have a very high regard for Mr. Bryden's judgment in general. I am reserving comment on the pension increase of February 15, 1960.

Mr. Martin (Essex East): Of course, my hon. friend forgot to mention that Mr. Bryden is an expert in the field of pensions. I believe that is the source of his income. Of course the minister knows more about these things than his good friend, his loyal, political collaborator, Mr. Bryden. But we have this admission from the Minister of Finance, that Mr. Bryden is a man of good judgment. I asknowledge that the minister said none of us is infallible, except the hon. gentleman, and that accounts for the fact that his policies are perfect and that they are so widely accepted throughout the country and throughout the world. May I ask the minister—

[Mr. Martin (Essex East).]

Mr. Fleming (Eglinton): Mr. Chairman, I think my opinion of the hon. member's judgment is improving.

Mr. Martin (Essex East): I wish I could reciprocate. I have here a clipping from the Toronto *Star* of June 14 where there is reported with regard to Mr. Bryden—

Mr. Churchill: Relate this to the bill.

Mr. Martin (Essex East): On June 14 it was reported:

> Mr. Bryden said while he was a member of the board of directors there was never any great opposition to Mr. Coyne's monetary policies. "By and large the board supported the policy that was being pursued. I certainly had no quarrel with Mr. Coyne's policies," he said.
>
> Any lack of harmony between sections of the government is not good, he said, but he felt there had been "more smoke than fire" between Mr. Coyne and finance minister Donald Fleming.

Does the minister agree with this statement of this man whose judgment the Minister of Finance has acknowledged to be worthy of special mention?

Mr. Fleming (Eglinton): Mr. Chairman, I do not know that I have the text of any such statement. I do know that I have before me the Toronto *Daily Star* issue of June 27 and that, in the most shocking way, this newspaper plays up what has been shown in Mr. Bryden's letter to me of June 28 to be a complete misinterpretation of what he said to the Toronto *Daily Star* on June 27. This was following the extraordinary statement put out by the governor of the bank on June 26. Reference was made in that document to the letter which Mr. Bryden had written to me in April. This newspaper publishes, under a headline, the statement: "Director Backs Coyne Statement". That was an absolutely false statement on the part of the Toronto *Daily Star*. Mr. Bryden did confirm the fact that he had written that letter to me and the Toronto *Daily Star* takes that, puts it on the front page, and pretends that that was confirmation of what Mr. Coyne had said about the contents of the letter to me.

That was proven to be completely false by the statement which Mr. Bryden made in his letter to me on June 28 in which Mr. Bryden had made the statement that I quoted earlier this afternoon in reference to this letter, and in which Mr. Bryden sets the record straight and makes it perfectly clear that this use of his April letter by the Toronto *Daily Star* was absolutely unjustified. It is a complete misrepresentation of what Mr. Bryden said. All he did was to acknowledge that he had written that letter. It was the Toronto *Daily Star* that went beyond and

misrepresented that as being confirmation of Mr. Coyne's statement about the contents of that letter.

Mr. Benidickson: Why are you so nervous about this letter? Why can we not see it in this controversy?

Mr. Fleming (Eglinton): The hon. member was a parliamentary secretary for several years. In that time he had occasion—or I presume, if his services were used in the department to which he was assigned he had occasion—to know that confidential communications are entitled to have that quality respected not only by the recipient but by those who send them and it would ill behove parliament to break down that kind of confidence just as it ill behoves the governor of a bank to obtain by request a letter written in confidence by a director of the Bank of Canada to the Minister of Finance concerning bank affairs and then to represent that as saying something different from what it did say. We have Mr. Bryden's statement on this matter in his letter of June 28 and the record is now made clear.

Mr. Pearson: We all recognize, of course, the sacredness which is attached by the members of this government to confidential documents, from the events of January 20, 1958. No amount of talk by the minister on that subject is likely to impress us very much. We remember outside pages containing the word "confidential" being torn off and selected passages from a confidential official memorandum read out to this house.

I should now like to ask the minister whether he was in touch on May 8 with one or two members of the board of directors of the bank to make arrangements to meet the minister on June 9 to discuss in a preliminary way the appointment of a successor to the governor on the expiry of his term of office.

Mr. Fleming (Eglinton): Obviously the Leader of the Opposition has not been paying any attention to the questions asked by the hon. member for Essex East. The hon. member for Essex East asked that question and I answered it fully.

Mr. Pearson: The minister did not answer that question. The minister merely said these were not the same directors he met on another occasion. I ask him now if he met two directors or one director on May 8 to make arrangements for a meeting on June 9 to discuss the succession to the governorship of the Bank of Canada.

Mr. Fleming (Eglinton): That precise question was asked of me by the hon. member for Essex East, and I answered it fully.

Mr. Pickersgill: Answer it now.

Mr. Fleming (Eglinton): Are we hearing from Bonavista-Twillingate now?

Mr. Pearson: May I ask the minister if on May 8 when he made an appointment for June 9 to discuss the successor to the governor of the Bank of Canada he had at that time, that would be May 8, decided to ask for his resignation?

Mr. Fleming (Eglinton): Mr. Chairman, I apologize to the committee for repeating what I said earlier, but hon. members will appreciate that if I am to be asked to answer the same question twice, and an answer is insisted upon the second time, I shall have to repeat the answer. I have already said that Mr. Bruce Hill was appointed to this committee, and prior to his leaving for Europe early in May he said he would like to see me when he came back, which was going to be sometime in the early part of June. That is all there was to it.

Mr. Martin (Essex East): Will the Minister of Finance answer this question? Is it not a fact that from November of 1957 until recent days the Minister of Finance completely ignored the governor of the Bank of Canada, and that he by-passed him and carried on his dealings with the bank through other personalities in that organization?

Mr. Fleming (Eglinton): No, that is not a fact. There is no truth in that statement.

Mr. Pearson: Is it a fact that the minister, who was completely out of touch and not in communication with the governor of the bank was, in fact, in communication with a member of the board of directors over the terms of a resolution calling for the resignation of the governor, and does he consider it appropriate on his part to establish that kind of contact in those circumstances?

Mr. Fleming (Eglinton): If the Leader of the Opposition is referring to the resolution passed by the board of directors on the morning, or at noon, of June 13, I have already dealt with that subject in reply to questions by the hon. member for Essex East, and I may say to him that I am also informed that the members of the board of directors were doing their best to try to persuade the governor of the Bank of Canada in the interest of the Bank of Canada to take in this situation a rational course and not the irrational course he did take.

Mr. Pearson: Is it also true that the minister was trying to persuade the board of directors to persuade the governor to resign?

Mr. Fleming (Eglinton): I asked the governor to resign when I met him on May 30. There has been no further communication on my part to him since. His resignation would

properly have been directed to the board of directors. He might perhaps have had the courtesy to tell me what he was going to do, but he did not. That is the way that matter stood. As far as the board of directors is concerned, I have said that two of its members came to see me on June 2 and 3. These were men who were endeavouring in the interest of the Bank of Canada to urge upon the governor of the bank that he should have regard for the interest of the institution in a situation in which it was quite clear it was impossible to expect the circumstances then existing to continue.

Mr. Pearson: Is it a fact that the minister had no contact with the board of directors even through his own deputy minister in the matter of a pension which the board of directors had increased, but when it was a matter of the governor's resignation he was in close contact with the board?

Mr. Fleming (Eglinton): No. That question is a misrepresentation. The hon. gentleman talks about close consultation. I have never met the board of directors as a board. On the week end when the board members were assembling in Quebec on the Sunday for their meeting of June 12 and 13, the only member of the board that I heard from at all or had any communication with was Mr. Hill, and he was doing his best to try to compose the situation, feeling that it was the interest of the Bank of Canada which should have first consideration.

Mr. Benidickson: When he decided to give his personal advice to the governor of the Bank of Canada, did the minister, using his phrase reported at page 7040 of the House of Commons debates of June 26, 1961, "scurry again" to look at the Bank of Canada Act and find what his rights were? Did he scurry again, as a very able lawyer and a bright boy, to look at the evidence contained in the reports of the House of Commons committee on banking and commerce in 1954 when we together looked very carefully into the responsibilities assigned to the government and to the governor in these matters?

I regard the Minister of Finance as a bright boy, and have always held that opinion of him. However, inasmuch as the Minister of Finance was the chief spokesman for his party when in opposition at the time when the banking laws in this country were being reviewed in 1954 by the standing committee on banking and commerce—and the hon. gentleman's name appears on almost everyone of the 900 pages of the report of that committee —I find it difficult to understand how he can come to parliament in his ministerial office almost four years later and say that in 1957-58 he conveyed to the governor of the Bank of Canada a request for the easing up of the requirements respecting the liquidity reserves of the chartered banks. That statement can be found at page 7040 of *Hansard* for June 26, 1961, where he also says that, as a bright boy, he then scurried to read the Bank of Canada Act.

The minister had just participated in an election campaign at that time during which both he and the present Prime Minister, both eminent lawyers, had been screaming about the tight money policy. I cannot believe that those two hon. gentlemen were so irresponsible as to go to the Canadian electorate, as they did during the campaign that year, without having read carefully the responsibilities of the government vis-à-vis the governor of the Bank of Canada in connection with monetary policy. However, that is the explanation given by the minister during the current debate.

I suggest to the minister, and challenge him to correct me, that he has shown no inconsistency during any budget debate between his own statements and statements made by the governor of the Bank of Canada. On the contrary, my belief is that only during recent weeks has the minister been defeated by his colleagues in the cabinet in respect to policies regarding which he has not differed from those espoused by the governor. I can refer to them if the minister wishes me to, because some other statements were made by him in the course of presenting his preliminary budget in 1959 to his friends in Toronto.

There was nothing contained in those statements to indicate that the Minister of Finance was then an expansionist. I think he was not then defending the expansionist movement of the cabinet but has now decided that he must knuckle down, because his colleagues overruled him, in an attempt to defeat this public servant who now, because of this difference of opinion in respect to policy, must part company with the government.

Having sat with the Minister of Finance at meetings of the banking and commerce committee in 1954, I should like to ask him whether he recognizes as a principal obligation of the governor of the Bank of Canada that responsibility to issue storm warnings whenever there is a conflict regarding monetary policy on the part of the governor of the bank and fiscal policy as announced by the Minister of Finance? In 1954, the then much admired governor of the Bank of Canada, Mr. Graham Towers, described the obligation of the governor in practical terms when he said that it was like an aeroplane signal on an automatic instrument warning system.

While I have not agreed during the past three or four years, and have challenged some of the policies of this government which I thought were supported by the bank, I should like to say that I admire the willingness of the governor who is bound to be dislocated, to do that which Mr. Graham Towers suggested in 1954 was a necessary responsible act on the part of the governor of the Bank of Canada; that is, issue a storm warning.

I should like to know whether the Minister of Finance feared that the governor would make an announcemnt by that kind of warning signal which caused him to decide, as he now says, not to present this present budget and its proposals to the current governor of the bank. I suggest that is the essential reason for that somersault and flip-flop reversed position adopted in the present budget.

I suggest that we now have a culprit in the person of the governor who is being asked to resign because the Minister of Finance has somersaulted and completely reversed his position because, as recently as a year ago, the minister suggested that any interference with the exchange rate on the part of the government was a gigantic gamble which the government should not undertake.

I have attempted during the budget debate and by placing questions on the order paper to find out the cost to this country of this interference with the exchange rate. I suggest that interference is the essence of the dispute today. If the Minister of Finance wishes me to demonstrate the accuracy of that suggestion, I should be glad to do so by quoting his own words of September, 1957, as well as his words of 1958 when he suggested he was happy about the monetary situation, and also by quoting his words used in a speech to the Canadian club in Toronto in 1959. I am fully prepared to waste the time of this committee by quoting those words if the minister wishes me to. He has referred to political acrobatics, but I should like to say that I have never witnessed any greater political acrobatics than those demonstrated by the minister just before one o'clock this day.

Mr. Hellyer: Mr. Chairman, it is quite obvious from the discussion that there is only one allegedly substantive charge put forward by the minister in respect of monetary policy and that dates back to 1957. He has told us that in 1957 he had a disagreement with the governor of the Bank of Canada when he requested the governor to reduce the liquidity requirements of the chartered banks. The governor, he said, refused, and this is the basis of the argument which he would lead us to believe has persisted throughout four years. The minister did not, however, recommend to parliament changes in the Bank of Canada Act which would have changed the relationship between the governor and the government.

We must assume then either that the actions of the Bank of Canada during the intervening four years did not interfere with the government's over-all plan for the Canadian economy or that the minister was derelict in his duty. It is one or the other, Mr. Chairman. The minister cannot have it both ways. Either the Bank of Canada did not obstruct the government during those four years or the minister was derelict in his duty in not coming to parliament and asking for legislative authority in order to be able to implement the policies of the government, if they had any.

The truth of the matter is that the government did not have any policies throughout those four years. They were completely void of policy. The Bank of Canada did not obstruct them. That is obvious. Surely the minister would not have sat idly by for four years and allowed the bank to run roughshod over some real plan he had for presentation to the Canadian people. The fact of the matter is that he had no real plan. He still has no real plan except the possibility of now turning the printing presses to work to try to print the money to meet the deficit which he and the government have incurred and which is unprecedented in the peacetime history of this country.

Mr. Benidickson: That is why the minister fears hearing Mr. Coyne in a committee of parliament.

Mr. Hellyer: Last evening the minister claimed that it was as a result of government fiscal policy that interest rates declined in 1957 and 1958. I have a very simple question for the minister. If it was as a result of fiscal policy that interest rates declined in 1957 and 1958, why is he not now introducing into the house a similar policy as recommended by the governor of the Bank of Canada?

Mr. Pearson: Mr. Chairman—

Mr. Hellyer: Surely the minister is going to answer that question.

Mr. Benidickson: The question is, who is telling the truth?

Mr. Pearson: I will let the minister answer this other question if he desires to before I ask my final one.

Mr. Hellyer: Certainly he should tell us why he does not introduce a fiscal policy which will reduce interest rates if this is desirable to encourage growth and development in the Canadian economy.

Governor of Bank of Canada

Mr. Benidickson: Tell us how to reduce interest rates.

Mr. Fleming (Eglinton): Mr. Chairman, as was made quite clear in the budget debate, which hon. members opposite evidently want to reopen and repeat, it is government policy to seek to bring about by all means open to the government a reduction in the general levels of interest rates in Canada, and if the house gives effect to the policies and programs proposed by the government this goal will be pursued by an effective co-ordination of fiscal and monetary policies.

Mr. Pearson: Mr. Chairman, the governor of the Bank of Canada has said that on May 30 the minister stated he had been instructed to ask for the governor's resignation at once. I ask him, instructed by whom?

Mr. Fleming (Eglinton): By the government.

Mr. Hellyer: Is the minister alleging that there was continuous obstruction by the Bank of Canada throughout the four-year period, 1957 to 1961?

Mr. Fleming (Eglinton): Mr. Chairman, I have said so many times now that the monetary policy that was pursued throughout this period was the monetary policy of the Bank of Canada. It was the governor's policy. His view of authority in this field was made perfectly clear in the meeting to which I have referred in November, 1957.

Mr. Hellyer: Was this policy out of harmony with what the government was attempting to do?

Mr. Fleming (Eglinton): It is obvious that at times it was.

Mr. Hellyer: If that is so, I ask one final question. Why did the minister not introduce in this chamber legislative changes which would have corrected the situation?

Mr. Fleming (Eglinton): I have already answered that question on six, if not seven, previous occasions. If the hon. member has not absorbed the answer yet I will—

Mr. Hellyer: Because you were not doing your job properly.

Mr. Fleming (Eglinton): —give the answer again although I do not wish to bore the committee with this repetition. The answer is on the record.

Mr. Hellyer: Because you were not doing your job; you were asleep.

Mr. Fleming (Eglinton): Oh, no, that is not the reason at all. The hon. member is quite confused.

Mr. Hellyer: You went into hibernation for four years.

[Mr. Hellyer.]

Mr. Benidickson: Mr. Chairman, the minister claims hindsight when we know that the essence of this debate is whether the governor of the Bank of Canada was guilty in the late fall of 1957 of not acceding to requests made to him by the minister with regard to monetary policy expansion and at a time when the minister said he had his departmental officials with him. We on this side wanted a parliamentary committee investigation so that we could have all such officials present to give testimony that even by hindsight might be valuable. I refer to something that has been referred to before. I do not apologize for putting it on the record again. When the minister's memory was perhaps clearer and nearer to the situation he said on June 17, 1958, when he presented his budget:

> Monetary policy also changed in the latter part of 1957. The money supply was expanded rapidly after mid-August, and partly for this reason and partly because of a reduction of demand in certain credit fields, monetary conditions in Canada generally became easier and interest rates declined substantially. Banks have now for some time been in a position to meet all credit-worthy demands for commercial and personal loans. Market rates of interest in almost all categories of borrowing have declined substantially.

I say that this was the opinion given to us here and to the nation on June 17, 1958, long after the minister apparently had had his interview in November 1957 with the governor of the Bank of Canada. He expresses, in June 1958 as he always does, complete satisfaction with himself and with the policies that he advances to the nation. There is no indication of criticism anywhere there. But he proposes to say now in 1961 with hindsight that in November of 1957 he would not have approved of the words found in his budget speech of June 1958. Similar statements can be referred to throughout these four years such as in the budget of 1959. We heard today that the minister criticizes the governor of the Bank of Canada for a "tightening of the belt" policy. Let us remember the minister's eloquent conclusion to a recent budget speech when he said, "Work and save, work and save".

Can you find anything more typical of agreement between the Minister of Finance and the challenged statements of the governor of the Bank of Canada than my last quotation from the Minister of Finance? I could continue for some time and carry on quoting the Minister of Finance up to the blue baby budget of 1960. In that last budget in particular the minister referred to discouraging capital investment from foreign lands. In examining three or four budget speeches of the minister I have never found disagreement with the Bank of Canada like we now get on a somersault basis. I say to the minister that

it is the minister who has been upset in the cabinet and has not chosen to resign because of the upset. He has been adhering to these policies throughout, but stays in office and tries to find a scapegoat in Mr. Coyne and provides him no hearing.

Mr. Fleming (Eglinton): This is conjecture on the part of the hon. member and completely imaginative.

Mr. Matheson: Mr. Chairman, at page 7041 of *Hansard* for June 26, 1961, the minister is reported as having made this statement:

> We attached, as a government, the highest importance to the bank and its functions.

Later, on the same page, we find this:

> Let me tell the house that as far as my responsibility is concerned I have done my best to carry on in a co-operative attitude.

Now, sir, we remember that under Messrs. Dunning, Ralston, Ilsley, Abbott and Harris, there was regular and systematic consultation with governors Graham Towers and James Coyne on all aspects of economic policy, fiscal policy, monetary policy, and this was continuously carried out. I ask the minister if, after his rebuke to the governor which occurred in March 1958—I might remind the minister in referring to this that the Ottawa *Journal* of March 14, 1958 carried a headline, "Fleming Rebukes Governor" and that the *Gazette* of March 15, 1958 carried a headline, "Fleming Rebukes Coyne"—over three years before the request for the resignation, has Mr. Coyne been asked by the minister for any advice whatsoever on any matter of economic, fiscal or monetary policy, until the minister's request for the governor's resignation on May 30, 1961? And by this I mean has the governor been asked for advice, not his deputies?

Mr. Fleming (Eglinton): Mr. Chairman, I have already dealt with that several times. We are just going over the same ground, over and over again.

Mr. Pearson: Mr. Chairman, the minister's last refusal to answer a very pertinent and important question shows that we are not going to get very far in committee of the whole in securing information from the government which surely is essential before this action which we are asked to take is taken. We get from the minister selected pieces of information from documents of one kind and another. When we refer to a document which he mentions and which he does not want to make available, he says it is confidential. We get one side of the statement, and that is bound to be so because of the nature of the case. This is not the kind of body where we can have both sides put forward. It is quite clear, Mr. Chairman, that we are being told in connection with this matter what the government wants us to know and nothing else. It is quite clear we are going to be asked to take action on this bill without having the kind of information which should be made available in terms of the man who is being accused.

Well, that is it. The government takes responsibility for refusing this kind of information and for refusing to set up the kind of body which would have made it possible for evidence to be taken and witnesses to be heard. The government can take that responsibility if it so desires. We will not take any share of it, Mr. Chairman.

The Chairman: Shall clause 1 carry?

Mr. Pickersgill: Will you call the yeas and nays?

The Chairman: All those in favour of clause 1, will please stand.

Clause agreed to: Yeas, 57; nays, 29.

The Chairman: I declare the clause carried. Shall the title carry?

Mr. Pickersgill: On division.

Title agreed to on division.

Bill reported.

Mr. Fleming (Eglinton) moved the third reading of the bill.

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, I intend to speak on third reading of this bill for only a very few moments. I intend to put the issue, as we see it, before the house on this bill. It is a simple issue, but it is a fundamentally important issue and no smokescreen of any kind, no oratorical invective or exuberance should be allowed to obscure this issue. The issue, Mr. Speaker, is not that of the policy of the person or of the tactics of the governor of the Bank of Canada. The issue is not even whether the governor of the Bank of Canada has co-operated or not co-operated with the government in financial matters in which co-operation from him is desirable, indeed is essential and in some cases is required by law and is certainly required in practice. The governor says he has so co-operated. The minister says that he has not co-operated since at least, November, 1957. This is July, 1961.

But that is not the issue. The issue is one of simply the fundamental right of justice and fair play, the right of a Canadian to be heard before condemnation and to be heard before the body which is condemning him. It is a right enshrined in that clause of the bill of rights which says that no Canadian act of

parliament—and we are dealing with a Canadian act of parliament—no Canadian order or rule or regulation or law, shall be construed or applied so as to deprive a person of the right to a fair hearing in accordance with the principles of fundamental justice for the determination of his rights and obligations. By a "hearing" surely is not meant in that clause of the bill of rights the right, in default of a hearing before a court or tribunal, to write letters. So I ask the government this question: How dare it violate this right in this case or in any other case, a government which so often boasts about its devotion to this same bill of rights. In this controversy between the Minister of Finance and the governor of the Bank of Canada, this right is being denied if we pass this bill because we in this House of Commons by this bill shall have condemned the governor. We shall have thrown him out of his job by act of parliament without giving him an opportunity to state his case before the body which is being asked to take action. That is the issue, Mr. Speaker, and that is the only issue, namely such a right to be heard by or before a body which the Minister of Finance once called the high court of appeal; such a right to be heard in simple, elementary justice.

Oh, the hearing might have taken two or three days, if it had been permitted. It might have been inconvenient. It might have been embarrassing to the government or it might have been embarrassing to the governor. However, we would have had an opportunity in this House of Commons, through an agency of the house, to examine the evidence, to summon witnesses and to get as near to the facts of the case as was humanly possible; and on the basis of the evidence, and only that kind of evidence, would we then have been asked to take the action which is embodied in a bill.

I do not know what would have happened if that procedure had been followed. Surely the government by now must be sorry that they did not follow it. Naturally we on this side of the house are suspicious as a result of the refusal of the government to allow this matter to go to a committee. It flatly refuses to allow any evidence to appear in this House of Commons except that evidence which it wishes to bring forward or the evidence we can get on published documents by the governor of the bank and others.

I know this, Mr. Speaker, and the house must know it. Because we are not giving this hearing to the governor of the Bank of Canada, a high public official, we are violating his basic right to be heard before the tribunal which is being asked to condemn him, and to do so on the basis of evidence supplied in this house by the government alone. When we produce evidence supplied in the press—and that is the only place to which he has access—the Minister of Finance says that it is not true, that it is distorted, that it is false or uses other words of that kind, a procedure which makes it difficult indeed for us to get to the facts of this situation in a way in which we could have done it if there had been a committee.

The fact that the governor, prevented for years from appearing before a commons committee, has circulated letters defending himself against charges which have now been made against him, or the fact that his tactics and some of his statements in his defence may be open to criticism, does not alter his right to be heard. We are the ones on this side who have criticized some of the policies and some of the tactics of the governor in the past, but we now support his right to defend himself against those who accuse him. The House of Commons is being asked to discharge the governor of the Bank of Canada, a public official, who will not resign voluntarily because he asserts that the charges made against him are wrong, that they do him a grave injustice, and that he is entitled to be heard by parliament in respect of those charges before parliament takes action against him. So I repeat, Mr. Speaker, that for the House of Commons to take the action recommended in this bill without the governor's being given the opportunity which he seeks to appear before a committee of this house would be an intolerable and indefensible violation of an elementary right of a free Canadian citizen. Because of that fact we will vote against third reading of this bill.

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, prior to the vote being taken on second reading I stated our reasons for voting against the bill at that stage. Since that time we have had an unusually lengthy debate in the committee stage and from our point of view, all we have been able to discover here, as the Leader of the Opposition (Mr. Pearson) has said, are in some cases, selective and in other cases contradictory answers to a multitude of questions that have been asked of the Minister of Finance (Mr. Fleming) by the members of the opposition.

I think it is correct to say that the Minister of Finance in effect has been going round and round the same selective answers to questions presented to him from this side of the house. Our stand on this issue is similar to that of the official opposition. We maintain that, in a free society, under these circumstances the accused has the right to be heard.

This is apparently a very unusual case in Canadian history. I am inclined to go back and to read the records of the past for guidance in the present and the future. I find that

this is a very unusual case in Canadian history. In fact, I could not find a precedent to demonstrate the fallacy of the action of the government on this occasion. While at the first stages of this debate the minister made something of the pension issue and mentioned the use of the frank of the Bank of Canada for the distribution of letters, those are side issues. The main issue is the one mentioned by the leader of the official opposition, namely the right of the person accused to be heard before sentence is pronounced.

While thinking of this question and looking over Canadian records there came to my mind words that have been frequently used by the Prime Minister (Mr. Diefenbaker). He has repeatedly stated that the practice and the procedures of this parliament are based on the practice and procedures of what we are proud to term the mother of parliaments. Having those words in mind, I began a long search in the history of the parliament of the United Kingdom. I find there that situations such as this one are somewhat rare in their history. However, I found some records. While the leader of the official opposition gave a very good analysis of this current and immediate situation I was trying to find some further basis upon which to found our argument and our case. I think I have found some thing, Mr. Speaker. I went back and I found a book called, "Corruption Unmasked", written in 1825 or thereabouts. I found a case very comparable to this one. This concerns the East India Company, the governor and directors of which were appointed by the government of Great Britain. I quote from the book:

> The next subject of any interest is the trial of Warren Hastings. This gentleman had presided over India 13 years, and arrived in England on the 16th of June, 1785. On the 26th of the same month, Mr. Burke, who had brought heavy accusations against him in the preceding session, gave notice of his intention to impeach him for high crimes and misdemeanours, alleged to have been committed in India. After long debates in this and succeeding sessions, the prosecution was sanctioned by the commons, and in 1787 articles of impeachment were sent to the lords. The trial was protracted from year to year, till 23rd of April, 1795, when the accused was acquitted, on the payment of his fees, of all the charges preferred against him. The company in consideration of the services of this officer discharged the expenses incurred by the prosecution, amounting to upwards of £70,000 and settled upon him an annuity of £5,000.

Strangely enough that is an amount, in terms of present money value, of about $25,000 a year. Mr. Speaker, the point is this. This gentleman, Mr. Burke, the governor of the East India Company insisted that he had the right to appear before the commons and before the House of Lords. That right was exercised to such an extent that the hearings went on for over nine years. But in the end justice was done to the governor of that company.

My curiosity and interest were stimulated by a phrase used frequently by the hon. member for Essex East (Mr. Martin). While I would not suggest that he is my mentor, I have found that following his example and practice is to one's political benefit on occasion. I have studied Erskine May's Parliamentary Practice, 16th edition with regard to what this phrase means. I find this on page 40 in respect to bills of attainder. In effect, that is what this bill is and the hon. member was quite correct when he referred to it as a bill of attainder. This authority says:

> The proceedings of parliament, in passing bills of attainder and of pain and penalties, do not vary from those adopted in regard to other bills; though the parties who are subjected to these proceedings are admitted to defend themselves by counsel and witnesses before both houses.
>
> Whenever a fitting occasion arises for its exercise, a bill of attainder is, undoubtedly, the highest form of parliamentary judicature, though it has not been employed since the eighteenth century. In impeachments, the commons are but accusers and advocates; while the lords alone are judges of the crime.

Fortunately on this occasion I suppose we could correctly say that to some extent the Senate is the Canadian counterpart of the House of Lords of Great Britain. I trust our Canadian lords will exercise their prerogative and see that British justice is done by hearing the accused. This passage in May's Parliamentary Practice goes on to say:

> On the other hand, in passing bills of attainder, the commons commit themselves by no accusation, nor are their powers directed against the offender: but they are judges of equal jurisdiction, and with the same responsibility, as the lords; and the accused can only be condemned by the united judgment of the crown, the lords, and the commons.

In this respect I suggest that the commons has not had the opportunity to hear the evidence before judgment is passed.

Mr. Hellyer: Because of a tyrannical government.

Mr. Herridge: The passage goes on to say:

> Bills of attainder generally commence in the House of Lords.

Then it goes on to deal with the powers of the commons in this respect. This is an authority upon which the practices and procedures of the parliament of Great Britain are based. Here we read that according to their rules and procedures both houses must hear the accused and the accused must have the opportunity to put forward his defence and have counsel. That practice and procedure, according to the record I have just read, has long been the practice in Great Britain. The Prime Minister has said on a

number of occasions that the practices of this house are based on those of the parliament of Great Britain, but in this instance we are departing from that practice.

Then I began to search further. Of course we all know that the constitution of the United States was based in substance on the history, traditions, practices and procedures of the parliament of Great Britain. That was the foundation of the constitution. I read a book entitled "The Liberties of an American" written by Mr. Leo Pfeffer, a very well known advocate in the United States. On page 165 of this book, under a paragraph headed "Bills of attainder" we find the following:

> Both the federal government and the states are forbidden by the constitution to enact bills of attainder. A bill of attainder is an act of the legislature inflicting punishment upon a person or persons who have not been convicted in a judicial trial. It needs little argument to show that punishment by legislative act without judicial trial does not accord with democratic concepts of fair play, besides being inconsistent with the American system of the separation of powers.
>
> Historically bills of attainder concerned themselves only with punishment, but, as in the case of *ex post facto* laws, the supreme court held that a disqualification for an office or profession imposed upon individuals by act of the legislature may constitute punishment and thus be a bill of attainder.

Therefore, Mr. Speaker, I understand the reason why the hon. member for Essex East has constantly referred to this bill as a bill of attainder. For the reasons we stated prior to the vote on second reading, and because during the committee stage of the bill the committee did not have the opportunity to get the facts, to know the truth from both sides, and while we recognize the supremacy of parliament, the issue—as was mentioned by the leader of the official opposition—is the right of the accused to be heard; because the accused has not been afforded the right established by the practice and procedure of the parliament of the United Kingdom, by the practice and procedure of this parliament and, according to him, those rights provided in our bill of rights, this group intends to vote against third reading. However, before resuming my seat, Mr. Speaker, in view of the unusual circumstances, this unique situation and the unfortunate position in which the government will find itself in the eyes of the country, we would like to hear from the Prime Minister at this time.

Mr. Speaker: Is the house ready for the question?

Some hon. Members: Question.

Mr. Arnold Peters (Timiskaming): Mr. Speaker, just before the vote is taken I would like to endorse the statements of the last speaker, and particularly his last remark.

[Mr. Herridge.]

This debate is a very important one. This is something that has not happened in Canadian history, as the previous speaker pointed out. It is something that has been done very seldom in England, the mother parliament of our system. Because of the confusion that has been raised on all sides of the house in relation to this matter, and the fact that the Prime Minister has been an outspoken advocate of the rights of the individual and has presented to Canada the picture and the image of someone willing to and capable of defending the rights of each individual in this country, I think he has an obligation to give his reasons for asking the parliament of Canada to take this unusual course. I should also like to know why the Prime Minister did not intervene in the major issue of this matter and allow this question to be examined by a committee of the house where all parties concerned could at least exercise their right under the law to be heard.

Right Hon. J. G. Diefenbaker (Prime Minister): I did not intend to participate in this debate until I listened to the Leader of the Opposition (Mr. Pearson) a few moments ago give a summary of several days of this argument—a summary of the position of the opposition. I decided to wait until I had found exactly the position in which the opposition had placed itself, and it is with that position that I intend to deal, after having made some initial reference to the bill of rights which, during the last few days has been folded in the arms of the opposition as something which they have espoused in the past.

I think of the days when I brought the bill of rights before this house, and I see them sitting there, the ministers of that day, now in opposition. They ridiculed the bill of rights. They said it was unnecessary. Last year, at one time, they were about to oppose it when it was introduced. I understand that the member for Essex East (Mr. Martin) took a very firm stand in this direction but that an hon. member occupying one of the rear seats of the opposition took the view that it would be improper and unjustified on the part of the opposition to oppose the bill of rights. Finally, after days of uncertainty, it received the support of the opposition.

I am glad to see today the degree to which, with the passing months, that which they rejected, that which they ridiculed, that stone they were about to reject as having no basis, in fact has become the cornerstone of their arguments in connection with the removal of the governor of the Bank of Canada.

Mr. Hellyer: The rights, not the bill.

Mr. Diefenbaker: The hon. gentleman does not even know what the bill of rights contains, of that I am sure. I have heard his observations on this earlier—observations in which he said there is nothing to the bill of rights. Now he is going to interpret that which only last year he stated would never be effective in this country. And in the ensuing months, over and over again, the prophecies of the opposition have proven to be false, in that the bill of rights has become, in fact, a measure whereby the individual, in the preservation of his rights and fundamental freedoms, has received, in the courts, the protection which it provides.

Today we find them, these who ridiculed, these who condemned, these who would have diminished its effect if they could have done so, suddenly become the proponents of the thing which they said was worthless, ineffective, and not legislation of a kind which ought to be placed on the statute books. When I see the hon. member for Bonavista-Twillingate (Mr. Pickersgill) speaking of the rights of men, talking of bills of attainder and the dangers to individuals of action being taken in that regard, what a transition has taken place in his thinking since he departed from the position of clerk of the privy council to that later of a minister of the crown and, today, of a member of the opposition. Can he forget what he did to Mr. Pitt? Can he forget that? Was he given a trial? I ask the hon. gentleman: what trial did you give him? What offence had he committed, excepting that he denied you the opportunity to occupy the room to which you, in your position, believed you were entitled?

Mr. Pickersgill: On a question of privilege, the right hon. gentleman has chosen to revive an incident about which he made speeches in the election of 1953 and about which I wrote him a letter to which he never deigned to reply, in which I set out the facts about this matter. I intend when the right hon. gentleman has finished his speech, to put that letter on he record, and we shall see who is telling the truth about this matter.

The right hon. gentleman has made an accusation against my honour—

Mr. Speaker: Order. The hon. member, of course, has his right to speak in due course.

Mr. Pickersgill: An attack has been made on my honour—

Mr. Speaker: Is the hon. member raising a question of privilege?

Mr. Pickersgill: Yes.

Mr. Speaker: Will he state the matter of privilege?

Mr. Pickersgill: The right hon. gentleman has made an accusation which affects my honour. There is absolutely no truth in his charge that I had anything whatever to do with any action which may have been taken by the head of the Canadian National Railways concerning Mr. Pitt. Those facts have been put on the record, and the right hon. gentleman was sent those facts in a letter to which he did not bother to reply.

Mr. Diefenbaker: I realized the hon. gentleman would become aroused.

Mr. Pickersgill: McCarthyism.

Mr. Diefenbaker: Oh, the hon. gentleman should not speak of that. We recall all the papers of those days and months. We remember the arrogance and the attitude of the hon. gentleman. He says he wrote me a letter to which I did not reply—a letter of the individual in question regarding matters which were self-exculpatory and which were not based on the facts.

Mr. Pickersgill: I was not given a hearing either.

Mr. Diefenbaker: I do not mind interruptions as long as they are made from a standing position. I can understand the feelings of the hon. gentleman. I realize full well that this is one of those things—that the word "Pitt" is written on the hon. gentleman's heart as "Calais" was on Mary's heart. They talk about the bill of rights, and they talk about the rights of the individual—those who in 1945 and 1946 and 1947 destroyed the rights of individuals in this country by order in council. These are the people who today wrap themselves in the garments of political rectitude; these are the individuals who said to a farmer from the province of Manitoba who had won a case in the courts: you shall not carry on that case—by order in council we declare that whatever the courts may have decided you shall not have your rights. These are the individuals—and several of them are sitting here today—who at that time passed an order in council whereby in an investigation into one company in this country there was set up a commissioner with full power to investigate, inside or outside the law. If this investigating commissioner went beyond the law it stated that there should be no right of action on the part of the individual who had been wronged. I could go on indefinitely, but these are the people to whom today, in the hours of opposition, repentance has come, if we are to believe them.

I shall mention the bill of rights, that bill which has been so ridiculed and spurned. It covers fundamental freedoms and human rights and recognizes in Canada that there

have existed and shall continue to exist without discrimination, certain named human rights and fundamental freedoms, and then states, in so far as the construction of the law is concerned that every law of Canada shall, unless expressly declared by an act of the parliament of Canada operate notwithstanding the Canadian Bill of Rights. This bill goes on to state that no law shall be construed or applied to authorize or effect the arbitrary detention, imprisonment or exile of any person, impose or authorize the imposition of cruel or unusual treatment or punishment, deprive a person who has been arrested or detained of the right to be informed promptly of the reason for his arrest or detention, nor of the right to retain and instruct counsel without delay, nor of the right by way of habeas corpus for the determination of the validity of his detention. That strikes home recollections of another day.

One of these hon. gentlemen, and perhaps two of them, were then members of the government in the month of September 1945 when—

Mr. Hellyer: Mr. Speaker, I rise on a point of order.

An hon. Member: Sit down.

Mr. Hellyer: Mr. Speaker, on a point of order.

Some hon. Members: Order.

Mr. Hellyer: Mr. Speaker, what is the relevancy of the debate presently being engaged in by the Prime Minister—

An hon. Member: Sit down.

Mr. Hellyer: I hope Your Honour will enforce the rule of relevancy.

Some hon. Members: Order.

Mr. Speaker: Order. A point has been taken that the remarks of the Prime Minister (Mr. Diefenbaker) are not relevant to the debate on third reading of this bill. As I understand the tenor of the statements of the Prime Minister they are directed toward the proposition that fundamental rights are involved in this bill. I heard the Leader of the Opposition (Mr. Pearson) also suggest this was the basis of his opposition to the bill on third reading.

I think if the Prime Minister goes into an illustration which brings forth other matters, themselves irrelevant, the scope of the debate is enlarged to the extent that there may be an extended reply, that would not be strictly relevant. Having regard to the position taken by the two previous speakers I do not think I can suggest that the tenor of the argument is irrelevant. However, I do make the observation that while it is in order to illustrate argument, references to extraneous matters which tend to enlarge the scope of the debate are not relevant.

Mr. Diefenbaker: Mr. Speaker, I have listened to all these arguments about the bill of rights, and I know it is disturbing to hon. members opposite—

Some hon. Members: Oh, oh.

Mr. Diefenbaker: I know it is disturbing to hon. members opposite when I make such reference because they do not wish to hear the facts.

I had arrived at the point of mentioning the particular matter of habeas corpus which those apostles of parliamentary government posed today in relation to preservation of the rights of men. I was pointing out that those hon. gentlemen passed an order in council in the month of September, 1945, abolishing the right of habeas corpus, and kept it concealed until February, 1946, in accord with a denial on the part of the then minister of justice that there was in fact a hidden and secret order in council.

I have been reviewing something of the record of those hon. gentlemen in order that the house may have some conception of the degree to which reliance is to be placed upon those apostles in respect to things they today avow as necessary and worthy of maintenance, when they themselves have transgressed each and every one of them during their day.

I made reference to the bill of rights because the subsection thereof to which they apparently make reference is that which states that no person shall be deprived of a right to a fair hearing in accordance—

Some hon. Members: Hear, hear.

Mr. Diefenbaker: —in accordance with the principles of fundamental justice for the determination of his rights and obligations.

Some hon. Members: Hear, hear.

Mr. Diefenbaker: It is in that connection that I intend to particularly refer to Mr. Coyne's rights and obligations being interfered with when the supreme court of parliament has before it his record—

Some hon. Members: Oh, oh.

Mr. Diefenbaker: —when the supreme court of parliament has before it his record as set forth—

Mr. Benidickson: Now we have a real demagogue.

Mr. Diefenbaker: —as set forth in the letters which he has issued from time to time.

Some hon. Members: Hear, hear.

Mr. Diefenbaker: In one of those letters he refers to the word of a man—

Mr. Winch: Mr. Speaker, it is six o'clock.

Mr. Diefenbaker: —in whom he places reliance. I look at that individual now and wonder whether I behold in fact the person who dictated certain portions of those letters.

Mr. Pearson: You do not see him.

Mr. Pickersgill: Mr. Speaker, I rise on a question of privilege.

An hon. Member: It is six o'clock.

Mr. Pickersgill: Mr. Speaker, I rise on a question of privilege.

Mr. Speaker: Order.

An hon. Member: It is six o'clock.

Mr. Pickersgill: Mr. Speaker, on a question of privilege.

Mr. Speaker: Order. I think the hon. member might better defer his statement in regard to the matter of privilege until the debate can be resumed, as it is now six o'clock.

Mr. Chevrier: No.

Mr. Pearson: No, Mr. Speaker.

Mr. Pickersgill: Mr. Speaker, when one is defamed by the words of the Prime Minister, one should surely be given a second in which to reply.

An hon. Member: It is six o'clock.

Mr. Chevrier: The hon. member should be allowed an opportunity to reply.

Mr. Speaker: Order.

Mr. Pearson: Mr. Speaker, the hon. gentleman should be granted time to reply.

Mr. Speaker: Order.

An hon. Member: It is six o'clock.

Mr. Chevrier: This is unfair.

Mr. Benidickson: Surely the majority will be fair.

Mr. Speaker: Order.

Mr. Pickersgill: Mr. Speaker, I should be allowed to rise on a question of privilege.

Mr. Speaker: Order. Will the hon. gentleman resume his seat. The hon. member rose on a question of privilege at the time of the adjournment. By leave of the house the question can be heard now. Is it agreed?

Some hon. Members: Agreed.

Mr. Pickersgill: Mr. Speaker, the statement the Prime Minister has just made was made by the Minister of Public Works in the form of a direct question to me the other evening. At that time I gave a simple and direct answer which was no; my answer is still no. My reputation, for telling the truth in this house, I stand on.

Some hon. Members: Hear, hear.

Mr. Hellyer: Clear and unequivocal.

Mr. Speaker: Order. The hon. member has stated his question of privilege and if there is no comment on it I shall now leave the chair.

Mr. Hellyer: The Prime Minister plunged to new depths this afternoon.

Mr. Speaker: Order. It being six o'clock, unless there is some discussion of the business for tomorrow I shall adjourn the house.

BUSINESS OF THE HOUSE

Mr. Churchill: Government orders tomorrow, Mr. Speaker.

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

APPENDIX "A"

REPORT OF FIFTH MEETING OF CANADA-UNITED STATES INTERPARLIAMENTARY GROUP

The fifth meeting of the Canada-United States interparliamentary group was held in Washington and Norfolk, Virginia, from Wednesday, June 7, to Sunday, June 11, both inclusive. Twenty four members of the congress of the United States and 24 members of the parliament of Canada participated.

The group held two plenary sessions and two series of committee meetings on Thursday and Friday. One committee discussed defence and foreign policy, while the other committee discussed economic matters of interest to both countries. The first committee met under the co-chairmanship of Senator Homer Capehart, and later Senator George Aiken, and Speaker Mark Drouin. The second committee was co-chaired by Representative Cornelius Gallagher and Speaker Roland Michener.

The Canadian delegates were welcomed at the opening plenary session on Thursday, June 8, by Secretary of State, Dean Rusk, who underlined the importance of these meetings of legislators as a valuable means of promoting better understanding and appreciation of their mutual problems. Later that morning the Canadian delegates proceeded to the floor of the United States Senate and were welcomed by Senators Aiken, Mansfield, Dirksen, Capehart, Keating, Humphrey, Johnson, Javits, Allott, Fong and Senator Hickey, the presiding officer. The statements of welcome are printed in Appendix "B" of this report.

Representative Gallagher was host at a luncheon in the old supreme court chamber, an historic room of the Capitol building which served as the Senate chamber from 1819 to 1859 and as the supreme court chamber from 1860 to 1935. The wives of the delegates were entertained at luncheon by Mrs. Fulbright and Mrs. Gallagher. Following these luncheons the members of the Canadian delegation and their wives had the honour of being received by the President at the White house.

Later in the afternoon the co-chairmen participated in a ceremony at the zoological gardens of the Smithsonian institute, when a pair of Canadian beavers, the gift of the government of Canada, was formally presented to the director of the institute. The occasion was enlivened by the presence of a baby beaver born to the pair in Washington a few days before. That evening the Canadian delegation and their wives were the guests at a dinner given by the United States delegation.

On Friday, following the conclusion of the business sessions, the Canadian delegates were the guests of Senator Aiken at a luncheon in the old supreme court chamber. Meanwhile the wives of the Canadian delegates enjoyed a very pleasant cruise on the Potomac river on board President Kennedy's yacht, the *Honey Fitz*. Members of both delegations and their wives left Washington late Friday afternoon for Norfolk, Virginia, where they were the guests of the continental army command for the week end. On Saturday, after the inspection of a guard of honour and the firing of a 19-gun salute, the delegates attended air and ground exercises at Fort Storey and Fort Eustis near Norfolk. The group also visited the national aeronautical space agency for a briefing on "project Mercury" by Mr. Carpenter, one of the seven United States astronauts, and other members of the agency. On the same day, the wives of the delegates visited Jamestown and Williamsburg for a tour of historic sights. Both delegations returned to their respective capitals on Sunday afternoon.

Committee Discussions

The discussions in the committees took place with the same spirit of frankness and respect for divergent views as has characterized discussions at previous meetings. The personnel of the two committees is shown in Appendix "A" of this report. At the closing plenary session on Friday, reports of the two committees were approved for inclusion in a press release. This press release was distributed at a press conference held by the four co-chairmen prior to the departure for Norfolk. The committee reports are reprinted in Appendix "C" of this report.

Conclusions

This latest meeting of the Canada-United States interparliamentary group confirmed once again the usefulness of such exchanges. All delegates, many of whom were attending for the first time, welcomed the opportunities given to them both in the business sessions and on informal occasions for discussions with their United States colleagues. The Canadian delegates wish to express their

warm appreciation for the cordial hospitality of President Kennedy, the members of the United States delegation, and the commanding general and officers of the United States continental army command.

As a result of the policy of including new personnel in the delegations for each meeting, 56 members of congress and seventy members of parliament have now taken part in one or more of the meetings held since January, 1959. As on previous occasions, the attendance of the wives of the delegates did much to confirm and strengthen in social exchange the friendships formed in the conferences themselves.

In submitting this report, we also wish to acknowledge the co-operation and express our appreciation for the assistance of officials of the various departments of the Canadian government who helped with the arrangements for the meeting.

Mark R. Drouin — Speaker of the Senate
Roland Michener — Speaker of the House of Commons

Joint Chairmen

Dated at Ottawa July 5, 1961.

APPENDIX "A"

PERSONNEL OF DELEGATIONS

The delegates, arranged according to the committees on which they served, were the following:

Defence and Foreign Policy Committee

United States Delegation

Senator George D. Aiken (Chairman) (R)
Senator Homer E. Capehart (R)
Senator Francis Case (R)
Senator Eugene J. McCarthy (D)
Senator Maurine B. Neuberger (D)
Senator Claiborne Pell (D)
Representative Edna F. Kelly (D)
Representative Philip J. Philbin (D)
Representative Samuel S. Stratton (D)
Representative William T. Murphy (D)
Representative William S. Broomfield (R)
Representative Glenn Cunningham (R)

Canadian Delegation

Hon. Mark Drouin (Co-Chairman)
Senator J. E. Lefrançois (L)
Senator Lionel Choquette (PC)
Hon. Paul Hellyer (L)
Mr. Egan Chambers (PC)
Mr. Gordon Aiken (PC)
Mr. C. A. Best (PC)
Mr. R. C. Coates (PC)
Mr. Frank Howard (CCF)
Mr. C. R. Granger (L)
Mr. H. P. Lessard (L)
Mr. G. M. Stearns (PC)

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Economic Matters Committee

United States Delegation

Representative Cornelius E. Gallagher (Chairman) (D)
Senator Mike Mansfield (D)
Senator Alexander Wiley (R)
Senator Warren G. Magnuson (D)
Senator Henry C. Dworshak (R)
Senator Gordon Allott (R)
Senator Thomas J. Dodd (D)
*Senator Lee Metcalf (D)
Representative Frank Ikard (D)
Representative Thaddeus J. Dulski (D)
Representative Laurence Curtis (R)
Representative Stanley R. Tupper (R)
Representative Howard W. Robison (R)
*Representative Harold D. Cooley (D)
*Representative Ralph R. Harding (D)

Canadian Delegation

Hon. Roland Michener (Co-Chairman)
Senator W. R. Brunt (PC)
Senator A. L. Beaubien (L)
Senator S. J. Smith (L)
Mr. Paul Martineau (PC)
Mr. J. M. Forgie (L)
Mr. Orville Philipps (PC)
Mr. J. R. Taylor (PC)
Mr. O. J. Godin (L)
Mr. Lucien Grenier (PC)
Mr. H. G. Rogers (PC)
Mr. R. R. Southam (PC)

* Also participated in place of members of official delegation who were unable to attend.

APPENDIX "B"

VISIT TO THE SENATE BY CANADIAN DELEGATION TO THE CANADA-UNITED STATES INTERPARLIAMENTARY GROUP

Mr. Aiken: Mr. President, each year for several years it has been our privilege to have as our guests in congress members of the Canadian parliament. We have with us today 12 members of the house and 12 members of the Senate. We are always glad to have the Canadian delegation with us. We consider our Canadian friends the best friends we have anywhere. The following members are present in the chamber, and I take the opportunity to introduce them to the Senate.

Senate

Hon. Mark R. Drouin, Progressive Conservative party (Quebec), Speaker of the Senate.

Hon. W. R. Brunt, Progressive Conservative party (Ontario).

Hon. Arthur L. Beaubien, Liberal party (Manitoba).

Hon. Sydney J. Smith, Liberal party (British Columbia).

Hon. J. E. Lefrancois, Liberal party (Quebec).

Hon. Lionel Choquette, Progressive Conservative party (Ontario).

House of Commons

Hon. Roland Michener, Progressive Conservative party (Ontario), Speaker of the House of Commons.

Hon. Paul Hellyer, Liberal party (Ontario).

Mr. Egan Chambers, Progressive Conservative party (Quebec).

Mr. Paul Martineau, Progressive Conservative party (Quebec).

Mr. J. M. Forgie, Liberal party (Ontario).

Mr. Gordon H. Aiken, Progressive Conservative party (Ontario).

Mr. C. A. Best, Progressive Conservative party (Ontario).

Mr. R. C. Coates, Progressive Conservative party (Nova Scotia).

Mr. Frank Howard, Co-operative Commonwealth Federation (British Columbia).

Mr. Orville H. Phillips, Progressive Conservative party (Prince Edward Island).

Mr. J. R. Taylor, Progressive Conservative party (British Columbia).

Mr. O. J. Godin, Liberal party (Ontario).

Mr. C. R. Granger, Liberal party (Newfoundland).

Mr. H. P. Lessard, Liberal party (Quebec).

Mr. Lucien Grenier, Progressive Conservative party (Quebec).

Mr. Harris G. Rogers, Progressive Conservative party (Alberta).

Mr. R. R. Southam, Progressive Conservative party (Saskatchewan).

Mr. G. M. Stearns, Progressive Conservative party (Quebec).

We are delighted to have the Canadian delegation with us today and tomorrow. I believe another activity, which we hope will be equally interesting to our guests, is planned for Saturday. (Applause, senators rising.)

Mr. Mansfield: Mr. President, I wish to join the distinguished senator from Vermont, who has led the Senate group so ably in our discussions with our Canadian colleagues for the past several years. We are always honored when a delegation from another country comes to visit us. We are especially honored when our Canadian friends do us the honor and the privilege of meeting with us in this chamber. We hope your stay will be happy. We hope that we will be able to reciprocate at least in part for the many kindnesses and courtesies and privileges which you have extended to us on the visits which we have made to your delightful and wonderful country. It is good to have you with us. We hope that this will be just one visit of many.

Mr. Dirksen: Mr. President, in a world that is so full of ugly fevers and contagion today, we can think of nothing quite so comforting and so reassuring as to have a delegation from our neighbouring country come to visit us, to whom we can refer with earnestness and in truth and in fact not only as neighbours, Mr. Speaker, but as friends.

It brings a real note of comfort, as with our eyes, as Ishmael did of old, contemplate the horizons of the world and a sea of troubles, to consider how fortunate we are. We hope that you deem yourself equally fortunate that we are your neighbours. It is great comfort that we can live together in amity and concord without troops and without any other visible military evidences, because of the understanding that we have had for such a long time.

As minority leader, I welcome you to the Senate.

Mr. Capehart: Mr. President, I merely wish to say to these gentlemen that it is a pleasure for us and a great honor to have you here. We hope that you will come very often.

Mr. Keating: Mr. President, as a representative of the state of New York, a considerable part of which borders on our great friends to the north, I wish to extend greetings to this distinguished group. I have spent many happy hours in Canada, and I have always enjoyed my visits there. I have many Canadian friends. I am sure that many of you gentlemen have close friends in the United States. My city of Rochester is to a large extent populated by people who were born in Canada and who cherish their ties to the north. We have very close relations with our Canadian neighbours. The Rochester yacht club sponsors a very spirited contest, as you probably know, with our Canadian friends, in which we have been frequently bested, but we never give up.

I am delighted to note that so many of our guests from the north have elected to sit on this side of the aisle in the Senate. There are a great many vacant chairs here, and we welcome them on this side of the aisle. We congratulate them on their good judgment, and are perfectly delighted to have some of these vacant chairs filled.

I know our friends will not take it amiss when I say that, if we cannot have more Republicans, then there is no one else we would rather have in these chairs, no one else in whose presence we would take greater pride or pleasure than our good friends from the north.

Mr. Humphrey: I too wish to join in extending a friendly and cordial welcome to our fellow parliamentarians from Canada, who are our good friends.

After listening to the lucid comment of my friend from New York, I am reminded of one part of our foreign aid and foreign policy programs, the exchange program. As a member of the Senate on this side of the aisle I would not mind proposing an exchange for some of the regular attendants on that side of the aisle for those I see presently on that side of the aisle. (Laughter)

We welcome you and we want you to know that your presence in the Senate is a source of satisfaction and joy to us.

My state of Minnesota borders on Canada. Many times we have travelled to the great city of Winnipeg. Many of our people make regular journeys over there. Many of your people come to Minnesota.

We are at the other end, so to speak, of the St. Lawrence seaway. We are joined to you not only by the great land mass of the Nort American continent, but also by the great St. Lawrence seaway.

We wish to express our appreciation to our friends from Canada for their leadership in the consummation of this, one of the great public works projects of all time.

Finally, I express my appreciation to them for their leadership in the councils of diplomacy. Canada has demonstrated mature statesmanship, particularly at the United Nations. That leadership has had a very good effect and a very good conditioning upon the deliberations of the United Nations, and we thank you for it. We herald you also for your tremendous economic growth in recent years, and the capacity you have demonstrated of being able to roll with the punches of your economic growth and expansion. We congratulate you upon your prosperity and upon your sharing of the fruits of your production. We also congratulate you upon your population growth. Surely in your great country there is so much room for so many good people.

Frankly, we are happy, as the minority leader said, in these trying days, to have such wonderful good friends, even when you occasionally tell us things that we may not want to hear, even though we may deserve to hear them. We shall reciprocate in kind but in a kindly way.

Mr. Johnston: It is a wonderful thing in this troubled world to have representatives from another nation come to visit us, particularly to have these visits made by people who believe as we do and work along with us in our efforts to make this a better world. If all the nations of the world believed as you do it would be a much better world to live in. So we are thankful today to have you come to visit us here in the United States, as we face the problems that we are facing, and realize that we have you right to the north of us, and that you are our right hand, so to speak, in helping solve the problems of the world. May you continue to grow and not only prosper materially but also prosper in giving all the people the liberties that belong to them. God bless you and may you continue to grow is the wish of all the senators at this time.

Mr. Javits: Mr. President, I wish to join my colleague from New York in welcoming the Canadian parliamentarians, and to express on this rare occasion my appreciation for the many long-standing favours conferred upon my state through my person.

When I was attorney general I had the opportunity to co-operate with your authorities in finding and punishing rascals in the security field. I received enormous co-operation from your officials. During the war, as an army officer, I worked with your minister of munitions. In more recent days I had the honour of dining with Prime Minister Diefenbaker and his cabinet, including the late departed and lamented Mr. Smith, a very dear friend of mine, and a wonderful man.

I have also visited and participated in the inauguration of power projects connected with the seaway, and in the Niagara frontier area, where we are working together.

As my tribute, as a senator from the state of New York, to the great Dominion of Canada, a great, stanch, and true friend, as has been so eloquently stated by my colleague, the distinguished junior Senator from New York (Mr. Keating), I may say that we have demonstrated that free peoples can work together in a discipline, nothwithstanding the fact that self interest may often dictate our pulling apart.

In the final analysis, no matter how frank you may be with us—and even critical at times—we all know that, like a couple who are married, this has all got to be lived with until there is a better day or a sunnier side to our relations, because we are indissolubly linked together.

I think it is this deep conviction which we all carry, and which is so particularly true in the States which border on Canada that represents one of the enormous strengths of freedom throughout the world. I do not think any nation in the world, even behind the iron curtain, doubts that Canada and the United States will always stand together, and that any hopes of separating them in any way are bound to be dashed. This is one of the most enormous strengths which freedom has.

I am delighted to welcome you and to speak to you in that spirit.

Mr. Allott: Mr. President, I have had the honor this morning, in the absence of the

co-chairman of our delegation, the senator from Vermont (Mr. Aiken), to welcome our distinguished visitors to Washington and to the United States. To do this again would be, indeed, surplusage. However, for the *Record*, I think perhaps it should be said that this particular meeting has been of unique value, a value which is not found in any other type of meeting. That unique value is that members of the House of Representatives and members of the U. S. Senate, and members of the House of Commons and members of the Canadian Senate, are able to meet together and discuss frankly every phase of our relationships—our cultural relationships, our tourist relationships, our economic relationships, our common interest in matters of defence, our common interests in the salvation of freedom throughout the world; and to do this frankly, without any fear of having spoken something which is contrary to the spirit of our respective governments, because none of us can speak for our governments, even though two distinguished Speakers of the parliament of Canada are here.

So if in the days ahead it should be asked what we hope to accomplish by this meeting it may be said we hope to accomplish the great area of understanding which friends seek—and understanding which is based upon giving and taking, and giving and forgiving; an area which we know will lead to more fruitful relationships in every respect between our countries.

The unique value of this meeting is that we meet without fear of doing something which may be taken as binding upon our governments. We meet in a spirit of friendship and frankness, which brings to all of us an education as to the desires and the possibilities of the future. That is something which we need.

Again, I welcome our Canadian friends to Washington and to the United States.

Mr. Fong: Mr. President, I join with other senators in welcoming the members of the Canadian parliament to our hall and to our country. I was a member of the interparliamentary committee which went to Canada in February. We received from the members of the Canadian parliament a most cordial and hospitable welcome, a welcome much unlike, as I told them, the first welcome I received from the Canadian people, when I was deported from Canada in 1929. That incident took place when I was a member of the R.O.T.C. team from the University of Hawaii. We went to Camp Perry, Ohio, and then crossed the Detroit river in an attempt to go to Windsor. At that time the Canadians told me I had to post a bond if I wanted to enter Canada. So I returned to the United States, at the invitation of the Canadian government, and they paid my transportation fare of five cents across the Detroit river. (Laughter).

Mr. President, the meetings which the interparliamentary committee held in Canada in February were most fruitful. I was much impressed with the earnestness and the seriousness of the views of our neighbours across the border. I know that their problems and our problems can be solved most amicably. I came away from that meeting with a better concept of their problems, knowing that the differences which exist between the United States and Canada are minor compared with the may things which we have in common.

We in this hemisphere have mutual problems, and we know that by discussing them together from time to time, as we did in Canada in February, and now, again, in the United States, we shall be able to solve them.

I look forward to long lasting friendship and amity with the Canadian people. I know that this friendship will endure to all eternity. I thank the representatives of the Canadian parliament for coming to visit us. I know that our deliberations will be fruitful for both the United States and Canada.

Again, I convey my welcome to the Canadian parliamentarians, and am grateful to them for having taken the time to come and visit us.

The Presiding Officer (Mr. Hickey in the Chair): The Chair joins in the hearty welcome accorded by senators to our brethren from our northern neighbour; and trusts that their sojourn in our capital city will prove both pleasant and profitable.

APPENDIX "C"

REPORTS OF COMMITTEES

Report of Defence and Foreign Policy Committee

1. Western Hemisphere Co-operation:

(a) *Canadian participation in the O.A.S*

United States members supported President Kennedy's recent suggestion that Canada consider joining the O.A.S. Canadian members agreed that Canada and the United States must stand together in supporting common objectives within the hemisphere, to raise standards of living and help meet the communist threat. The problem for Canada is to decide whether joining the O.A.S. would be in the best interest of Canada and the western hemisphere. This question is the subject of lively public discussion in Canada at the present time.

Among the arguments advanced in favour of Canada's association with the O.A.S. were the assistance which Canada might be able to give toward raising living standards in Latin America, the additional weight of

Canadian leadership and stability in hemispheric policy discussions, removal of the anomaly of Canadian participation in NATO but not in O.A.S., and removal of doubt about Canada's support of the principles on which O.A.S. is founded.

Among the arguments mentioned in opposition to Canadian participation in O.A.S. were the limitations on Canada's resources, the risk that Canada's position in O.A.S. would either be labeled as that of a satellite of the United States or would be harmful to United States prestige to the extent that Canada's attitudes diverged from that of the United States on significant issues, and finally the loss of Canada's ability to present an uncommitted view on problems arising in the hemisphere.

(b) *Cuba:* There was complete agreement on the serious threat which communist influence in Cuba presents to the whole hemisphere. With respect to methods of countering this danger, however, there were two basically different approaches. Some felt that the situation warranted drastic measures. Others believed the Cuban revolution was brought about by underlying causes which are to be found in many other areas in Latin America. These unhealthy tendencies must be dealt with on a long term basis through programs of economic assistance, information, cultural interchange, and foreign policies in the interest of the freedom and economic opportunity of mankind. The committee agreed that there is need for expressing to the peoples of less developed countries the social objectives of our society. To compete successfully with the communists in the emerging countries we must explain our system in terms of social justice as well as personal freedom.

2. Strengthening NATO:

There was full agreement of the necessity of strengthening the conventional forces assigned to NATO. It was noted that both Canada and the United States have met their NATO force goals. Several specific NATO defence problems were discussed: the desirability of having small nuclear weapons for tactical use; the inhibition on the use of major nuclear weapons in the absence of adequate conventional forces; the question of control by a multi-national organization over a NATO nuclear strategic force; and the necessity of making the United States nuclear retaliatory weapons invulnerable. It was recognized that if the Soviet union moved at any time in force to cut off access to West Berlin, NATO would be ready to respond with the necessary force.

3. China Policy:

The committee discussed trade with communist China. The members were agreed that there should be no trade in strategic goods. The Canadian members, however, stated that in Canada there was general support for a policy of trade with China in non-strategic goods on the grounds that to cut off all trade would not weaken the hold of the Chinese communist party and that trade helps maintain the strength of the Canadian economy. The view was also expressed that it can assist in some measure to preserve a small reservoir of good will in China which could be of long term benefit to the west. Some United States members, while acknowledging that the United States does trade in certain non-strategic commodities with countries of eastern Europe, were of the view that trade materially assists the Chinese in reaching their economic objectives, raises moral issues on which the United States public feels deeply and strengthens the Chinese position in Asia. The Canadian chairman referred with pleasure to the statement made in the House of Commons the previous day by the Prime Minister regarding the happy solution to the difficulty which had arisen over the supply from United States sources of grain unloading equipment and the committee agreed that this was a good example of continuing co-operation between the two countries.

The committee also discussed the closely related questions of diplomatic recognition of communist China and its representation in the United Nations. While neither Canada nor the United States has yet recognized the People's Republic of China, it was generally agreed that the issue of representation in the United Nations would soon confront the two nations and that at the forthcoming meeting of the general assembly there would likely be increased support for seating representatives of communist China. The "two China" concept was also considered as a possible solution for the representation of China. It was pointed out that the admission of a Chinese communist delegation to the United Nations would be interpreted in many places in the United States as an act of appeasement and might lead to strong demands that the United States leave the United Nations. The Canadian members pointed out that Canadian public opinion is divided on the issue.

4. Disarmament

The committee agreed that disarmament negotiations must be continued despite the difficulties and lack of concrete progress so

far. Recognizing the growing military potential of communist China, probably independent of Russia, it was suggested that at some future time provision might be made for communist China to participate in realistic disarmament discussions. Confirming the continuing need to seek agreement on banning nuclear tests under adequate safeguards, the committee was concerned as to how long the United States should postpone the testing which is required to advance nuclear capability in the face of Russia's refusal to negotiate an agreement in good faith. Only by thorough inspection around the world could each side be certain that the other was not secretly taking the lead in more efficient weapons. Canadian members reported that public opinion in Canada now was against resumption of nuclear tests, but could change in the face of continued Russian rejection of inspection and the growing possibility of the Russians conducting secret tests.

5. Defence Production Sharing

In view of the interdependent nature of the economic as well as the military aspects of the common defence effort, the committee confirmed the need for a strong industrial base in Canada as an essential part of North American defence. The defence production sharing program continues to provide opportunities for Canadian industry to participate on an equitable basis with United States industry in defence development and production. The committee noted that since the initiation of the program, Canada continued to procure more defence items in the United States than the United States procured in Canada. It was agreed that efforts should be continued to strengthen the Canadian portion of the common defence production base through increased United States defence procurement in Canada.

Report of the Committee on Trade and Economic Matters

Aid to Underdeveloped Countries

There was a general discussion on the principles which should govern aid to underdeveloped countries and the problems of implementing aid programs. It was agreed that there was need for more effective preparation and planning of aid programs and that proper training of personnel administering them was also important. Reference was made to the desirability of close co-operation between Canada and the United States as contributing countries, both in determining a fair sharing of the burden and in promoting effective administration. The United States delegation pointed out that the United States was now contributing about 1 per cent of its gross national product to foreign aid programs, and the suggestion was made by the United States delegation that this percentage might be a target toward which other countries might aim. It was agreed that this aid was necessary in furtherance of the aims of the developed nations in accepting their responsibility toward the underdeveloped countries.

Boundary Waters

In the discussion of the Columbia river, the Canadian delegation observed that there were certain problems in Canada that had to be resolved before ratification of the treaty by parliament could take place. In this connection, it was pointed out that the province of British Columbia had made the necessary amendments to its water act, and had authorized the British Columbia power commission to apply for a licence to construct the Canadian works provided for under the treaty. It was also understood that the preconstruction engineering would be completed later this year. It was hoped, therefore, that the project would not be delayed unduly.

Concerning the Passamaquoddy tidal power project, a member of the United States delegation asked for an expression of Canadian views, in the light of the international joint commission report. A member of the Canadian delegation responded that the report indicated an unfavourable cost benefit ratio which in turn suggested that the project would be uneconomical at this time. The United States delegation thought it might be useful to continue studies of the project.

The United States delegation urged the desirability of a joint study of potential traffic on the Richelieu-Champlain waterway and of improvements to handle this traffic. Such a study was of some urgency due to possible alternative action by the United States on the Hudson-Erie waterway.

Tourism

There was a discussion on the balance of tourist expenditures between Canada and the United States. It was pointed out that in 1958 and 1959 Canadian tourist expenditures in the United States were $413 million and $448 million, respectively, while United States tourist expenditures in Canada were $309 million and $351 million. Thus, there was an annual Canadian deficit of approximately $100 million in each of these years. With this in mind, the Canadian delegation expressed concern over the legislation now pending in the United States congress to reduce the import duty exemption accorded to returning United States tourists from $500 to $100. Both delegations recognized the seriousness of the problem and discussed several

ways in which the present imbalance might be improved, including expanded Canadian tourist promotion and better arrangements for air travel on Canadian and United States transborder carriers.

Trade

The committee discussed trade with the Sino-Soviet bloc with particular reference to trade with communist China. The Canadian delegation explained the recent sale of agricultural products to communist China. It was pointed out that the whole matter of agricultural products and of foreign sale of food stuffs was a problem of greater relative magnitude for Canada than for most other countries since Canada consumed about 14 per cent and exported 86 per cent of its wheat production, whereas in the United States the figures were just the reverse. The United States delegation understood the factors within Canada that resulted in these sales and explained the basis for the United States in not engaging in such trade.

Trade with Cuba was also discussed. The United States delegation explained the distinction in United States law between trade with Cuba and with communist China. It cited the dwindling amount of such trade in the permissive categories of food and medicine.

Both delegations recognized that Canada and the United States had a common interest in strengthening themselves and in supporting and promoting free world objectives against the threat that faces them.

United States Investment in Canada

The contribution which United States investment has made to the development of Canadian industry was recognized but members of the Canadian delegation also drew attention to the problems which arose in Canada due to the large measure of United States control over certain segments of Canadian industry. It was pointed out that the Canadian government had recently taken measures to encourage wider participation by Canadians in their own industrial development without penalizing foreign investment. It was also suggested by the Canadian delegation that it would be helpful if Canadians had greater access to the equity financing of United States companies in Canada.

International Trade Unions

The Canadian delegation expressed some concern over the excessive influence exercised on Canadian trade unions by the heads of some United States-controlled international unions. Admittedly this was a matter for consideration within Canada.

European Trade Groupings

A Canadian delegate expressed the hope that Canada and the United States would consult to find a mutually satisfactory approach to the problems created by European trade blocs.

HOUSE OF COMMONS

Thursday, July 6, 1961

The house met at 11 a.m.

GRAIN

WHEAT, OATS AND BARLEY—ANNOUNCEMENT OF INITIAL PAYMENTS

Hon. Alvin Hamilton (Minister of Agriculture): Mr. Speaker, I should like to advise the house that initial payments for the basic grades of western wheat, oats and barley have been approved by the government and established for the crop year 1961-62. These initial payments have been set at the same level as those in effect for the present crop year.

The initial payment for wheat, effective August 1 next, is $1.40 per bushel, basis No. 1 northern, in store Fort William-Port Arthur or Vancouver. The initial payment for oats is 60 cents per bushel, basis No. 2 Canada western, in store Fort William-Port Arthur. The initial payment for barley is 96 cents per bushel, basis No. 3 Canada western six-row, in store Fort William-Port Arthur.

For all other grades of wheat, oats and barley the initial payments effective for the 1961-62 crop year will be established at a later date on the recommendation of the Canadian wheat board.

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, not being well informed on this question I shall take this announcement as notice and refer it to my leader.

ANNOUNCEMENT OF INCREASE IN MAXIMUM QUOTA

Hon. Alvin Hamilton (Minister of Agriculture): Mr. Speaker, to show the concern of the Canadian wheat board over the drought situation in the west and the steps being taken to alleviate this problem, I wish to make the following statement. I wish to inform the house that the Canadian wheat board has announced that the maximum quota for the present crop year will be 7 bushels per specified acre. The first authorizations for the quota at points where sufficient space is available to warrant the increase have already been issued to the trade.

For the balance of the crop year, in so far as possible the Canadian wheat board will endeavour to give all producers an opportunity to deliver the maximum quota. Therefore effective Monday, July 3, the key agent at a delivery point where producers have had an opportunity to deliver a 6 bushel quota and where space is available to warrant an increase to 7 bushels per specified acre should, with the consent of the other agents at the point, request the quota department of the Canadian wheat board, Winnipeg, to authorize an increase to that level.

It should be understood, however, that in authorizing a 7 bushel quota at such delivery points the board does not undertake that sufficient space will be made available to enable all producers to deliver the maximum quota. The significance of this, Mr. Speaker, is that the responsibility of requesting the 7 bushel quota now rests with the elevator agents.

[*Later:*]

On the orders of the day:

Mr. Jack McIntosh (Swift Current-Maple Creek): Mr. Speaker, I should like to address a question to the Minister of Agriculture arising out of his answer this morning. I should like to break it down into three parts.

First, can the points of delivery take it that the minister's announcement is equivalent to a buying order for each point equal to 7 bushels? Second, what assurance have these elevator agents that box cars will be available for delivery? Third, what is the situation in the event that elevators of the key personnel to which he referred are full and the other elevators are empty or have storage space?

Mr. Chevrier: Order paper.

Hon. Alvin Hamilton (Minister of Agriculture): Mr. Speaker, I have some difficulty in answering the first question, in so far as who is responsible. The main point of my statement was that once the 6-bushel quota has been granted by the wheat board the responsibility lies on the local agents to call for a 7-bushel quota.

We certainly cannot give assurance of box cars, but I think, with the co-operation we are getting from the railways and the terminals these days, we could meet pretty well all the requirements.

The third part of the hon. member's question about the key agent is a touchy one in western Canada. The key agent is usually the leading recipient of grain in that particular town. If his elevators happen to be full naturally he will tend not to request an additional quota. I think it is up to the other

agents to persuade him that they have space and that they should be able to get the cars. What we and the wheat board are really trying to do here is first of all to put the responsibility on the local elevator agents to decide whether or not grain should be moved out of that district; second, to put the responsibility on the agents to let the farmers know that the agents themselves decide whether they go to a 7-bushel quota.

Mr. McIntosh: A supplementary question. The minister referred to those stations or points that were on a 6-bushel quota. As he well knows, many points in Saskatchewan are on a 5-bushel quota. Does the same thing apply to a 5-bushel quota?

Mr. Hamilton (Qu'Appelle): No, Mr. Speaker. I think the intention of the wheat board is that very shortly almost all points will be on the 6-bushel quota and we are assuming that the 6 bushels will be arrived at some time this week. From there on the local agents will have to decide whether they go up to 7 bushels.

DOMINION-PROVINCIAL RELATIONS

AGREEMENTS RESPECTING TAX COLLECTION, ANNUAL GRANTS, ETC.

Hon. Donald M. Fleming (Minister of Finance) moved that the house go into committee at the next sitting to consider the following resolution, which has been recommended to the house by His Excellency:

That it is expedient to introduce a measure to authorize tax collection agreements with the governments of the provinces and to provide that the minister may pay to a province, out of the consolidated revenue fund, in respect of any fiscal year in the period commencing on the 1st day of April, 1962 and ending on the 31st day of March, 1967,

(a) a tax equalization payment;

(b) a provincial revenue stabilization payment;

(c) additional annual grants of ten and a half million dollars to each of the provinces of Nova Scotia, New Brunswick and Newfoundland, and of three and a half million dollars to the province of Prince Edward Island;

(d) a further additional annual grant of eight million dollars to the province of Newfoundland;

(e) where a province does not levy a succession duty, an amount equal to the standard estate tax applicable to the province for the fiscal year; and

(f) advance payments on account of amounts collected under a tax collection agreement that may be entered into with the province.

Mr. Speaker: Is the Minister of Finance asking for leave to alter this order to read "later this day"?

Mr. Churchill: No, Mr. Speaker, not later this day.

Motion agreed to.

[Mr. Hamilton (Qu'Appelle).]

BUSINESS OF THE HOUSE

HOUSING—REQUEST BY MINISTER FOR LEAVE TO MAKE ANNOUNCEMENT

Hon. D. J. Walker (Minister of Public Works): Mr. Speaker, may I revert to motions?

Mr. Speaker: Has the minister leave to revert to motions?

Mr. Pickersgill: Would the minister indicate why he wishes to revert to motions?

Mr. Walker: To make an announcement.

Mr. Pickersgill: Agreed.

Mr. Walker: I am sorry; I was talking to my neighbour.

Mr. Speaker: Has the minister leave to revert to motions?

Some hon. Members: Agreed.

Mr. Walker: Mr. Speaker, the first six months period of the housing program of the government is now over. I have been asked by a great many hon. members to make a short announcement, which I have here. As you know, Mr. Speaker, the government of Canada have guaranteed hundreds of millions of dollars through this parliament and this matter is of great interest to all hon. members—

Some hon. Members: Order.

Mr. Speaker: Order. Before the minister proceeds, may I ask him whether the announcement is a statement of housing statistics for the past six months?

Mr. Martin (Essex East): It is a propaganda effort.

Mr. Walker: Statistics, of necessity, must be in the announcement, because I cannot make an announcement without giving statistics.

Mr. Speaker: If it is simply a statistical announcement I think it should be made by leave of the house. If it is a matter of policy which the minister is announcing, he has the right to make such a statement.

Mr. Pickersgill: It is just a piece of propaganda.

Mr. Walker: Mr. Speaker, with the greatest respect, there are no political overtones to this.

An hon. Member: Undertones.

Mr. Walker: Everybody has been interested in housing and, with the greatest respect, I had no chance on the consideration of my estimates because my friend the hon. member for Nipissing was not here—

Some hon. Members: Order.

Mr. Speaker: Order. Having regard to what the minister said, has the minister leave to proceed?

Some hon. Members: No.

An hon. Member: Closure.

Mr. Robichaud: You are waking up.

BANK OF CANADA ACT—POSTPONEMENT OF CONSIDERATION OF LEGISLATION

On the orders of the day:

Hon. L. B. Pearson (Leader of the Opposition): I wonder if the Prime Minister could explain to the house why we are not proceeding with the Bank of Canada legislation this day, a bill which the government once considered it was urgent to pass quickly?

Right Hon. J. G. Diefenbaker (Prime Minister): I am very happy to answer that question. The hon. member for Essex East said the day before yesterday that the fight was going to continue for ten days, so we wanted to get some legislation before the house so that it would be available for the Senate at once.

Mr. Martin (Essex East): You are afraid to go on. You are afraid to exercise the bill of rights.

Mr. Speaker: The hon. member for Essex East has not been recognized, nor did he rise.

Mr. Martin (Essex East): I said the Prime Minister was afraid to exercise the bill of rights.

Mr. Speaker: I heard the hon. member, and may I say it was not proper for him to make such a remark from his seat.

Mr. Martin (Essex East): I agree fully with Your Honour. Your observation is correct, but I will say this, that when the Prime Minister gives us the example in that particular it is understandable that other members should follow his abuse of the rule.

HOUSE OF COMMONS

REPORTED FINANCIAL IRREGULARITIES RESPECTING FORMER SECRETARY OF STATE

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): I wish to address a question to the Prime Minister. In view of the statement of the Prime Minister on June 23 and the statement of the Minister of Justice on June 24 with reference to obtaining the transcript of evidence concerning the former secretary of state, now Senator Courtemanche; and in view of the fact that the commission finished hearing evidence on June 30, is the Prime Minister now in a position to state what course he intends to follow?

Right Hon. J. G. Diefenbaker (Prime Minister): As I stated earlier, a full examination will be made of the transcript of evidence taken by the commission. My understanding is that the commission has now completed the hearing of evidence and has adjourned until September. We asked for the transmission not only of the evidence which was originally given but also of the evidence given subsequently by Senator Courtemanche and, I think, by one or two others.

That evidence, the latter evidence, came into the hands of the Minister of Justice some days ago and he was going to make, as is proper, a full and complete examination thereof. Unfortunately, as the hon. member knows, the Minister of Justice had to leave for his home by reason of personal bereavement. As soon as he comes back—I suggest there should be this necessary delay—and an examination has been made, a very definite statement will be made regarding this whole matter.

HOUSING

INQUIRY AS TO PROGRESS OF CURRENT PROGRAM

On the orders of the day:

Mr. R. J. McCleave (Halifax): I have a question to ask the Minister of Public Works, of which I have given him notice. Can the minister give the house some information on housing construction in Canada during the first six months of this year?

Mr. J. R. Garland (Nipissing): On a point of order, Mr. Speaker. Are the rules of the house to be used in this way, first to plant a question and then, in effect, to revert to motions to build up and create an impression—

Mr. Speaker: If the hon. member will state his objection to the question I shall be glad to consider it.

Mr. Garland: This has come up so often that I hate to trouble the house with it, but when we ask similar questions we are ruled out of order.

An hon. Member: Why?

Mr. Speaker: Perhaps the hon. member would assist me by indicating the objection he has to the question itself.

Mr. Garland: It has always been my understanding that statistical information cannot be given at this particular time.

Mr. Pickersgill: I wonder whether I may be allowed to say a word regarding the point of order, Mr. Speaker?

Mr. Speaker: Order. I think I should first hear the hon. member who posed the question. I take it the point is that this is not a matter of urgency?

Mr. Garland: That is right, Mr. Speaker, This involves statistical information which the minister is seeking by devious methods to place on the record in order to create the impression that all is well when all is not well.

Mr. McCleave: Mr. Speaker, without getting into any question of good news or bad news, I should say it has been the practice of this house on recent occasions when notice has been properly given—and I can assure the house that it was given this morning—the minister is allowed to make a brief statement.

An hon. Member: You are all wet.

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, Your Honour has been very rigorous in the application to this side of the house—by this side of the house I mean the opposition, and not the senior member for Halifax—of the rule that questions must be of an urgent nature. A summary covering the last six months respecting housing given today rather than tomorrow or on some other occasion by no stretch of the rules, except a desire on the part of hon. gentlemen opposite for party propaganda, could be regarded as an urgent matter.

Mr. Pearson: Mr. Speaker, on the point of order—

Mr. Speaker: Order. I think the Leader of the Opposition will find it unnecessary to speak, because I am of the opinion that this is not the type of question which ought to be asked on orders of the day, with all due respect to the interest which exists in this matter. The question concerns statistical information which is published by the dominion bureau of statistics and the minister's department and is equally available to all members and, therefore, should not take the time of the house at this time.

Mr. M. J. A. Lambert (Edmonton West): Mr. Speaker, on the point of order, it has been ruled by your Honour on a number of occasions when members of the opposition have asked questions of a similar nature that if the minister is prepared to answer, and has received notice, the choice is left to the minister to answer or not. That has happened on many occasions. If the circumstances are the same today in Your Honour's estimation and the minister is prepared to answer, he should be allowed to do so.

[Mr. Pickersgill.]

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, in regard to that point, if the minister in effect received notice of this question why did he try to anticipate questions on orders of the day by giving the information during motions?

Mr. Speaker: Order. I may have come to a wrong conclusion, but I have come to a conclusion and have expressed it, and I think the house should accept it unless there is a desire to appeal my ruling.

(Translation):

INQUIRY AS TO NEW CONSTRUCTION POLICY

On the orders of the day:

Mr. Remi Paul (Berthier-Maskinonge-Delanaudiere): Mr. Speaker, I should like to direct a question to the Minister of Public Works, of which I have given him notice.

Could the minister tell the house whether it is true that his department is considering a new policy to further promote housing construction in Canada?

Hon. D. J. Walker (Minister of Public Works): Mr. Speaker, I am glad that the hon. member has asked that question. Unfortunately, the opposition has refused to let me break the good news about the first six months of 1961. I shall therefore have to pass it along to parliamentary correspondents. Let me say, however, that this problem is under constant review and that any new decision in the field of housing construction will be announced in the house.

TRANSPORT

SOULANGES CANAL—INQUIRY AS TO TRANSFER TO QUEBEC

On the orders of the day:

Hon. Lionel Chevrier (Laurier): Mr. Speaker, I should like to put a question to the Minister of Transport (Mr. Balcer).

Is the minister in a position to make the statement he promised yesterday with regard to the Soulanges canal? In a word, I should like to know whether the government is now prepared to turn over that canal to the Quebec government.

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, I said yesterday that a decision had been taken and that it would be announced today.

It is still early in the day. The decision will certainly be made known today.

(Text):

EAST-WEST TRANSPORT LTD.—INQUIRY AS TO RATE CUTTING

On the orders of the day:

Mr. J. S. Speakman (Wetaskiwin): Mr. Speaker, I should like to ask the Minister of Transport a question based on a letter received this morning, probably by many members. My question is, does the minister know that the East-West Transport Limited, a crown owned, financed and subsidized truck line, is one of the largest rate cutters in the country?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, I have no particular knowledge of the detailed activities of the company in question, but I can assure the hon. member that I will bring this matter to the attention of the management of the Canadian National Railways.

INCOME TAX

MONTREAL—REPORTED INVESTIGATION OF CHARITABLE DONATIONS

On the orders of the day:

Hon. J. W. Monteith (Acting Minister of National Revenue): Mr. Speaker, yesterday the hon. members for Hull and Laurier inquired in respect to reported activities on the part of taxation officials in the Montreal area. The report referred to concerned a written authorization to amend or cancel charitable receipts, and is part of the administrative procedure which is applicable everywhere in Canada where the issuer of the receipt is relying on information supplied him by the taxpayers. This procedure is being utilized after consultations by officers of the department with religious authorities, and requires no specific authorization from the minister.

LIVESTOCK

INQUIRY AS TO INCREASES IN MARKET PRICES

On the orders of the day:

Mr. R. R. Southam (Moose Mountain): I should like to direct a question to the Minister of Agriculture. In view of the heavy sales of livestock in the west during the past several weeks owing to the serious drought and feed shortages, could the minister indicate to the house why market prices have risen in the past week?

Hon. Alvin Hamilton (Minister of Agriculture): I think we are all aware of the fact that the market price has gone up on the Winnipeg market in the last two or three days. I understand the big reason for the stiffening of prices was my announcement last Sunday of our intention to use floor prices if necessary; second, is the fact that a large number of United States buyers have appeared on the market in the last while. I presume this is the reason for the stiffening of prices. I would like to add, Mr. Speaker, it would be advisable for the eastern feeders to step in and get some of these cattle before they all go to the United States.

ROYAL CANADIAN AIR FORCE

BRITISH COLUMBIA—SECURITY TEST INVOLVING USE OF POTS AND PANS

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I wish to address a question to the Minister of National Defence. I apologize for not sending him notice, but I have just received the press dispatch from Vancouver. My question is based on the following paragraph which appeared in the *Sun* yesterday on information received from Flight Lieutenant Marshal Bluck:

> Pots, Pans Shield R.C.A.F.
> Pots and pans have become part of Canada's defences.
> They were strung around 14 aircraft parked at seven secret sites in British Columbia Monday night in a mock defence exercise.
> They clanged loudly enough for airmen to trip up 11 foreign saboteurs, the air force proudly announced today.
> The operation was a test of security and vigilance according to the information received by the *Sun*.

Would the minister inform the house whether this operation and the purchase of the pots and pans was done with his sanction and knowledge?

Hon. D. S. Harkness (Minister of National Revenue): Mr. Speaker, I do not know anything about this matter. I would therefore have to make inquiries and find out, but I would presume that the pots and pans in question show that there are more uses for pots and pans than cooking.

SHIPPING

ST. LAWRENCE RIVER—REPORTED LOWERING OF WATER LEVELS BELOW MONTREAL

On the orders of the day:

Hon. Lionel Chevrier (Laurier): Mr. Speaker, may I direct a question to the Minister of Transport. Has the minister taken cognizance of a statement appearing in this morning's *Gazette*, attributed to one of his officials, that the lowering of the level of the St. Lawrence river below Montreal is causing serious concern, and in which it is stated that the level could fall to 34 feet this season, making the channel unusable for many vessels? Can the minister indicate the cause of this lowering of the level, and advise whether a study of this matter is being made by his department?

Inquiries of the Ministry

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, the factors affecting the level of the St. Lawrence river from Montreal down are very complicated, relating to power and navigation works, general climatic conditions as affected by land use, and so on. A complete statement on the subject would be a very lengthy matter.

I can assure the hon. member that the question of water levels at Montreal and below is receiving extensive study and, in fact, we plan over the next year to construct a major model of the St. Lawrence ship canal covering Montreal harbour and below, with a view to carrying on extensive tests which we believe will help us to deal with this matter.

INQUIRY AS TO REGULATIONS RESPECTING SHIPBUILDING SUBSIDIES

On the orders of the day:

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, I should like to direct a question to the Minister of Transport. Now that 20 days have elapsed since he gave the house an undertaking to announce in two weeks the regulations governing assistance to the shipbuilding industry, is the minister yet in a position to announce them?

Hon. Leon Balcer (Minister of Transport): The answer is no, Mr. Speaker.

LABOUR CONDITIONS

SPRINGHILL, N.S.—REQUEST FOR PROVISION OF WORKS PROJECTS

On the orders of the day:

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, I wonder whether the Prime Minister is in a position to answer the question I asked him on Tuesday about unemployment conditions in Springhill and the possibility of applying provisions similar to the program for Cape Breton island.

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, I express regret to the Leader of the Opposition. I should have had an answer available, and I shall have it at the earliest possible time.

Hon. J. W. Pickersgill (Bonavista-Twillingate): A supplementary question, Mr. Speaker. Has the Prime Minister yet received a report from the Canadian National Railways about the possibility of keeping open the spur line from the C.N.R. into Springhill?

AGRICULTURE

SOYBEANS AND WINTER WHEAT—ANNOUNCEMENT OF SUPPORT PRICES

On the orders of the day:

Mr. H. W. Danforth (Kent, Ont.): Mr. Speaker, may I direct a question to the Minister of Agriculture. Can the minister indicate whether his department has yet arrived at a decision regarding the establishment of support prices this year on winter wheat and soybeans and, if so, what these prices might be?

Hon. Alvin Hamilton (Minister of Agriculture): Mr. Speaker, I had intended later today to make a formal announcement on this subject. I can now inform the house that the government has decided on this year's support prices for both soybeans and winter wheat. The price for soybeans will be $2.13 a bushel, which is 100 per cent of the base price. The price on winter wheat will be the same as last year, $1.39, which is 83 per cent of the base price.

Hon. Paul Martin (Essex East): May I ask a supplementary question, Mr. Speaker. In doing so I thank the minister for answering the question which the house will recall I asked over five months ago.

Mr. Pickersgill: And again yesterday.

Mr. Martin (Essex East): Does the minister not realize that the price he has announced today is, of course, almost 35 cents lower than the price asked by the soybean growers of southwestern Ontario?

Mr. Hamilton (Qu'Appelle): Yes, the minister is aware of the request of the soybean growers. I wish to point out to the hon. member for Essex East that he has never understood how this legislation works. What we do is put in a support price to let the farmers know that it looks pretty good for soybeans this year. We have raised it 13 cents over the price of last year to indicate to the farmers that it is safe to go ahead and produce a few more soybeans.

[*Later:*]

Mr. Martin (Essex East): Mr. Speaker, now that my question with regard to soybeans has borne fruit—

Mr. Speaker: I am sorry to interrupt the hon. gentleman, but I recognized the hon. member for St. Denis. The hon. member for St. Denis has indicated his intention to yield the floor to the hon. member for Essex East.

Mr. Martin (Essex East): Thank you, Mr. Speaker, but I recognize my colleague and yield the floor to him.

(Translation):

PUBLIC SERVICE

PAID HOLIDAYS FOR PART TIME EMPLOYEES

On the orders of the day:

Mr. Azellus Denis (St. Denis): Mr. Speaker, I am in no hurry to ask this question in view of the fact that the minister to which it is directed is in no hurry himself.

Has the Secretary of State reconsidered the possibility of granting annual leave with pay to part time employees, in view of the fact that he recently promised to the hon. members for St. Henry (Mr. Lessard) and St. Denis (Mr. Denis) to consider the matter?

Hon. Noel Dorion (Secretary of State): Mr. Speaker, as I have already indicated, that is a problem involving not only the Secretary of State department but a number of departments. In other words, it is really a matter of government policy. I can assure the hon. member that for my part, I have already begun to consider the problem and hope to be in a position to make a statement on the matter in the near future.

Mr. Denis: Could the Secretary of State indicate to the house when he thinks the cabinet will once more reconsider the matter?

Mr. Dorion: Unfortunately, I cannot answer that question because the problem is not my sole responsibility.

Mr. Denis: I should like to know, Mr. Speaker, when the house can expect a statement of policy on the matter?

Mr. Dorion: I have nothing to add, because, as I say, the problem is not my sole responsibility.

(Text):

CUSTOMS TARIFF

APPEAL TO TARIFF BOARD—NON-CONCURRENCE IN SENATE AMENDMENT

On the order:

Consideration of the amendment made by the Senate to Bill C-72, an act to amend the Customs Tariff—the Minister of Finance.

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, hon. members will not need to be reminded that Bill No. C-72, an act to amend the Customs Tariff, is one of the bills introduced arising out of the supplementary budget presented to the house on December 20 last. It is a bill that received extended discussion in this house before proceeding to the other place.

Mr. Chevrier: Mr. Speaker, may I interrupt the minister for a moment? We do not have the amendment. I think the amendments are normally on the table.

Mr. Fleming (Eglinton): Mr. Speaker, the message of the Senate—

Mr. Chevrier: On a point of order, Mr. Speaker, I think we should have the amendment before the house.

Mr. Fleming (Eglinton): The amendment is before us, Mr. Speaker, and has been since June 15. The message of the Senate containing the amendment which is proposed by the other place was received by this house on June 15 and is recorded in *Votes and Proceedings* of this house of that date at page 671. This, of course, is the practice of the house. When Senate amendments come to the house they appear in *Votes and Proceedings* but are not transcribed *in extenso* on the order paper of this house.

At page 671 of *Votes and Processings the* following passage from the message from the Senate will be found:

A message was received from the Senate informing this house that the Senate had passed Bill No. C-72, an act to amend the Customs Tariff, with the following amendment:

Page 1, lines 22 and 23: Strike out lines 22 and 23 and substitute therefor the following:

"(3) Subject only to an appeal to the tariff board, the decision of which board shall be final and in respect of which appeal the provisions of section 44 of the Customs Act shall apply *mutatis mutandis*, the minister shall decide the following matters:".

Hon. members accordingly will recognize that the Senate has proposed one amendment by which it is intended that a right of appeal in limited form should be extended; that such right of appeal should apply in the cases contemplated in Bill No. C-72; and that the appeal shall not be of the same nature as the appeal provisions now in effect, that is to say an appeal to the tariff board with further appeals in certain cases and on certain grounds to the exchequer court and the Supreme Court of Canada, but an appeal to the tariff board whose decision is to become final.

The issue therefore presented to the house is whether the house should accept or reject the Senate amendment. The government cannot accept it, and it asks the house therefore to reject the amendment proposed by the Senate.

Hon. members will not need to be reminded that the Customs Tariff is certainly a revenue statute. Bill No. C-72, to amend the Customs Tariff, is a fiscal measure. It was one of the budget bills. It is clearly a revenue bill. It is no answer to say that the particular amendment does not expressly relate in its terms to particular tax rates. The bill itself is a revenue measure. The main statute which it purports to amend is by any standard a revenue measure, a fiscal enactment.

I shall not delay the house, Mr. Speaker, by reminding it of the important place which this amending bill held in the government's program for enlargement of job opportunities in Canada, and of the stress that was laid

upon that fact in the earlier debates of this session. I am sure that matter is fresh in the minds of hon. members. I therefore turn directly to the question presented to us by the Senate amendment.

I have to say in general that the amendment is an unworkable one and that it would result in frustrating the purposes of the bill to which it purports to be an amendment. It would result in delays that I am sure the house could not possibly condone. I make these brief observations before proceeding to a leading element that challenges the house in the light of the action taken by the Senate. The suggested amendment is open to these criticisms.

1. The delays and uncertainty which would be brought about by having the questions of "normal Canadian consumption", "shelf" goods and whether goods are "custom made to specifications" subject to an appeal to the tariff board may discourage Canadian producers from taking an active interest in such new business.

2. Notwithstanding what has been said regarding how swiftly the tariff board might be expected to deal with such cases—indeed, Mr. Speaker, it was said that they could be disposed of within a period of 60 days—the bald fact is that on June 13, to take a recent date, the tariff board issued a tentative schedule for the hearing of appeals in November and December of this year and in February, April and June of 1962. Such is the extent of the backlog, and such is the measure of the delay that must result in the inscription of any more appeals or the creation of procedure for more appeals under our statutes.

Included among these cases which have already been set down for hearing in this group of appeals now standing for hearing up to June of 1962 are three involving class or kind rulings. These are listed for hearing eight months to 10 months hence. Appeal No. 599, which was accepted by the board in November, 1960, is scheduled for hearing in February, 1962, while appeals Nos. 600 and 606, which were accepted in November, 1960 and January, 1961 respectively, are listed for hearing in April, 1962.

3. The anomaly of having a portion of the class or kind provisions subject to appeal to the tariff board only while other features of the legislation allow the filing of appeals beyond the board to the Exchequer Court of Canada and to the Supreme Court of Canada. This anomaly, I am sure, requires little further comment.

Under the amendment, first, the normal Canadian consumption of shelf goods; second, whether goods are custom made to specifications; and third, whether adequate facilities exist in Canada for the economic production of custom made goods within a reasonable period of time would be appealable to the tariff board only. The questions which could be taken before the courts include, first, whether shelf goods are of approximately the same class or kind as goods made in Canada; second, the determination of the amount of Canadian production; and third, whether the quantity manufactured in Canada does in fact constitute a minimum of 10 per cent of normal Canadian consumption.

The fourth ground of criticism and the fourth reason why such an amendment would be quite unworkable and accordingly unacceptable is the possibility that the phrase "custom made to specifications" may be construed as applying to a much wider range of goods than is presently contemplated, such as articles which may merely differ in quality, capacity, size, style, etc.

These observations are all that I am sure I need to detain the house in making in order to point out the unworkability of the amendment proposed by the Senate. However, I should like to pass now to something which is fundamental and which in effect presents the house with an issue with important constitutional implications. The house is aware of the rule in regard to the prerogatives of this house respecting money bills. This is the problem presented now in relation to this present bill and the amendment proposed.

Rule 63 of the house, Mr. Speaker, which you applied on a previous occasion, reads as follows:

> 63. All aids and supplies granted to Her Majesty by the parliament of Canada, are the sole gift of the House of Commons, and all bills for granting such aids and supplies ought to begin with the house, as it is the undoubted right of the house to direct, limit, and appoint in all such bills, the ends, purposes, considerations, conditions, limitations and qualifications of such grants, which are not alterable by the Senate.

Mr. Speaker, that rule was applied by yourself to an amendment to the Income Tax Act proposed by the Senate in the 1959 session. It gave rise to debate in this house on July 14 and July 18 of that session. May I just remind hon. members of the circumstances of that occasion, because there we have a complete precedent created by this present parliament. We do not even need to go back to statements on the question in earlier parliaments, although there are a number of them.

In the 1958 session this house had passed a bill, No. C-48, to amend the Income Tax Act. When that bill went to the other place the Senate introduced certain amendments. The issue before the house turned on a particular amendment. That amendment was not one that purported to state rates of taxation. It was an amendment to section 71 of

the act which raised the question whether so-called foreign investment corporations should or should not be continued with an open-ended clause, or whether steps should be taken to prevent the creation of more of such corporations with the privileged tax position which such corporations enjoyed. It was on that amendment, Mr. Speaker—an amendment, as I say, which did not purport to deal with a particular rate of taxation—that this house took its stand.

When the matter came up on July 14 you, Mr. Speaker, raised the question of order under standing order 63 which I just now read. The matter stood over and came up for debate on July 18. At that time the house took its position by decision that I think can be regarded as unanimous. There was certainly no division in the house, and there was no contrary opinion expressed. The house stood on the ground that this amendment to the Income Tax Act affected a money bill and there was no power in the Senate, under the constitution, to amend a money bill. This was not a supply motion; this was not a bill relating to the appropriation of money; it was a bill to amend the Income Tax Act. So I say, Mr. Speaker, the case is completely on all fours with the case now under debate.

Again I remind the house that it was not a clause in the Income Tax Act which related expressly to the rates of taxation. It was a clause to determine whether section 71 should be permitted to have continuing effect in relation to foreign business corporations. The house took its stand on these matters. Reference was made to the position taken by Sir Wilfrid Laurier in other sessions. The Leader of the Opposition concurred in the position, this historic position on which the government took its stand, and the house asserted that the amendment introduced by the Senate could not be accepted because it infringed upon the prerogative of this house to deal with money bills, which are not open to amendment by the Senate.

For these reasons, Mr. Speaker, I accordingly move:

That a message be sent to the Senate to acquaint Their Honours that this house disagrees with the amendment made by the Senate to Bill No. C-72, an act to amend the Customs Tariff, for the following reason:

The amendment infringes the sole and undoubted right of the Commons to impose taxation; it alters the application of taxes and interferes with the public revenue.

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, this motion has just been made available to us—

Mr. Speaker: Order. Before the hon. member proceeds I should place the motion before the house, and I shall do so unless any hon. member wishes to raise a technical objection.

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, I wonder whether I might raise the point as to whether notice of this motion is required. I am raising the question solely for information and not to make objection.

Mr. Fleming (Eglinton): Mr. Speaker, I think the rule is that notice is not required where the house is not accepting the amendment. The point which you raised on July 14, 1959 was that if a particular amendment was proposed to be accepted, notice must be given, but as to an amendment that was being rejected, no notice was required. When the matter stood over until July 18 for hearing you raised the matter again, as reported at page 6402 of *Hansard* when you said:

Before the Leader of the Opposition speaks, may I say this. I take it that the Minister of Finance considers that the proposed amendment does not now infringe on standing order 63 by reason of the fact that the remaining amendment does not alter any of the conditions, etc., of the grants involved.

To that observation I replied:

Exactly so, Mr. Speaker.

So when the motion simply stands upon and reasserts the provisions made by the House of Commons, no notice is required. Notice would be required if the house were being asked to accept an amendment introduced by the Senate. I think the rule is quite clear in standing order 63, and I may say it has always been the practice of the house that notice has not been required in cases where the house is standing on its original enactment and is not accepting the amendment proposed by the Senate.

Mr. Pearson: Mr. Speaker, on the point with which the minister has been dealing, and which was raised by my hon. friend from Bonavista-Twillingate, the minister states that the motion is one of rejection of the amendment and not acceptance, and therefore no notice is required. I just bring to your attention, Mr. Speaker, the fact that the motion is not simply one of rejection, but it indicates the reasons for that rejection. We are asked —and I am not at the moment complaining about this—to debate this motion immediately, without notice. The motion includes certain reasons why the amendment should be rejected, and these reasons have just at this moment been brought to our attention.

Mr. Fleming (Eglinton): Mr. Speaker, I am sure the house will not need to be reminded that in cases where an amendment proposed by the Senate is rejected, it is the practice to send a message to the Senate and give the reasons for the rejection. This is the long standing practice of the house. There are many precedents.

That does not touch the question of order that has been raised. That is to be determined on the question of whether or not the original enactment of the house is to stand. The position taken in this motion is that the enactment of the house should stand and the amendment should be rejected.

Mr. Speaker: On the question of the necessity for notice, standing order 41, which applies to bills, etc., reads as follows:

> Forty eight hours' notice shall be given of a motion for leave to present a bill, resolution or address, for the appointment of any committee, or for placing a question on the order paper; but this rule shall not apply to bills after their introduction, or to private bills—

And so on.

Notice has in effect been given to the house by the item being placed on the order paper under government orders, where it has stood for some time. It is, today, item 4, reading as follows:

> June 15—Consideration of the amendment made by the Senate to Bill C-72, an act to amend the Customs Tariff—*The Minister of Finance.*
>
> Note: Text of amendment printed in *Votes and Proceedings* of June 15 at page 671.

That is in effect the ordering of the consideration of this matter and it is open to the house, of course, to proceed in at least two directions. The item before the house is consideration of the amendment. This motion proposes to reject the amendment. Had the motion been to accept the amendment I might have been in the same position as I was in 1958, and would have had to bring to the attention of the minister that acceptance of the amendment would be contrary to standing order No. 63 and that, therefore, notice of the suspension of that standing order would have to be given. However, as the contrary course is suggested it would seem to me that notice and suspension of standing order 63 is not needed.

I am a little concerned about the motion in that it asks the house to disagree with the amendment rather than to reject it as being beyond the competence of the Senate, but that is made clear by the latter part of the motion, and I think I should place the matter before the house.

Mr. G. J. McIlraith (Ottawa West): Before the point of order is left, I wonder if we might have some clarification of one part of Your Honour's remarks. I understood you to indicate that if a certain procedure had been adopted today, if a certain action had been taken, you would have had to indicate that rule 63 was applicable. Do I understand from this that Your Honour is making a finding that this proposed amendment by the Senate is in fact in contravention of rule 63? It seems to me that this point has not been adequately dealt with.

Mr. Speaker: I did not intend that to be a necessary implication of my ruling on the question of whether notice was needed. I did indicate that if the motion had been to accept the amendment then I would have had to consider that standing order 63 might be applicable and, therefore, would have to be suspended before the house, in accordance with its own rules, could properly proceed to discuss that proposition.

Mr. Pearson: We had expected, of course, that this morning we would be discussing a bill which in due course would be referred to the Senate, a bill of great and immediate urgency, so we had been told. However, instead we are at this moment discussing an amendment to a commons bill which has been received from the Senate. As you have pointed out, Mr. Speaker, this matter has been on the order paper for some time.

We should be perfectly clear about the nature of this amendment. The bill itself, to which the amendment has been made by the Senate, is of course a money bill, and it received long and careful consideration in this house. In the course of that consideration we in the opposition did our best to persuade the government not to take away the right of appeal against the decision of a single minister and the officials of the department of that minister in respect to important matters. That question was decided by the House of Commons in favour of the position taken by the government that provision for appeal should be removed. The bill was then sent to the other place.

The Senate has passed the bill with the amendment before us which has nothing to do with the substance of the measure, nothing to do with the financial or tax or monetary provisions of the bill, nothing to do with any revenue considerations which may be involved in the bill. The amendment made by the Senate is to restore the right of appeal from the decision of a minister by giving the person affected by that decision in respect to these important matters the right of appeal to the tariff board. That is the nature, that is the purpose, and that is the content of the amendment; it is designed to restore the right of appeal, a right which should never have been taken from the citizen by the House of Commons in this bill. This right of appeal is restored in the amendment by making it possible for a person against whom a decision has been made by the minister or by his department to appeal to the tariff board.

It has been said before, and it has been repeated by the Minister of Finance this morning, that this would mean inordinate delay and frustrate the working of the act. I would remind hon. members that this right of appeal is not to the tariff board and, through the tariff board, to the courts. That is the position which we took in this house when this matter was up for consideration. We felt that the full right of appeal should be retained, to the tariff board and to the courts. The hon. gentlemen in the other place, perhaps impressed by the argument that an appeal provision of that kind might result in undue delay, have restricted the right of appeal to the tariff board only. That is the only change they have made in this bill.

The minister told us this morning that this change is not acceptable to the government because the amendment which embodies the change is an unworkable one. Once again he told us that the right of appeal granted to a citizen from a decision of a minister means delay, and we cannot countenance delay; delay would make the act unworkable. Well, that is the excuse that is uttered by every governmental authority that wishes to take arbitrary power into its own hands. The minister says, in effect, we cannot have appeals because appeals mean delay and we cannot tolerate delay; we must act at once, by ministerial dictate if necessary.

The minister has said that this would mean exhaustive delay, and the reason it would be exhaustive is the fact that the tariff board is away behind in its work. He gave us some indication of the number of appeals which have been before the board and have not been decided after weeks and months. However, if the tariff board is in such a condition that it cannot deal with appeals of this kind with reasonable efficiency and expedition, then it is the responsibility of the government to see that it is strengthened so it can do just that.

Some hon. Members: Hear, hear.

Mr. Pearson: It is no excuse to say that the tariff board has been permitted, because of the multitude of duties which it now has, to get into a position where it cannot hear appeals in time so as to avoid affecting the procedure and operation of the act. There is no excuse for the government in that regard, particularly in view of the fact that it has done nothing for the board in an attempt to make it effective in the hearing of these appeals. The proper way to deal with this matter is to make it possible for the board to hear the appeals quickly and effectively, not by taking away the right of appeal. The Senate by its amendment merely restores that right of appeal in a form which is less far-reaching and embracing than that which we on this side put forward when this bill was before the House of Commons earlier.

The minister has said a good deal about the constitutional implications of senatorial action in this matter. He has cited what are to him analogous precedents—they certainly are not analogous to us, and we will go into that matter later—to show that the Senate has no power to make this amendment. I seem to recall, though I have not all the details in mind, a couple of years ago the Senate making eight amendments to the estates tax bill, seven of which were accepted by the government when they came back to this house, yet at that time no suggestion was raised that it was unconstitutional for the Senate to make those changes.

Mr. Fleming (Eglinton): Would the hon. member permit a question. Does he not recall that the house was informed at that time that in accordance with long standing practice the Senate had been requested by the Minister of Finance on behalf of the government to make those particular amendments when the bill was before the Senate committee?

Mr. Pearson: I recall that very well, but is the minister now trying to tell us that he has power over the Senate so that he can ask the Senate to do something which, if he had not asked it to do, would be unconstitutional?

Mr. Pickersgill: That is what he said.

Mr. Fleming (Eglinton): Does the Leader of the Opposition not agree that this has been the practice which has been carried on for many years by my predecessors? That is, when the government was prepared to accept an amendment the Minister of Finance asked the Senate committee to make the amendments, particularly in respect to matters usually not of far-reaching importance.

Mr. Pearson: It may be that has been the practice, but in the past I do not recall that the government of the day took exception to that kind of amendment by the Senate which did not deal directly with monetary provisions, such as that which the minister is saying now is unconstitutional. The minister may also remember—

Mr. Fleming (Eglinton): You are quite wrong.

Mr. Pearson: The minister may remember that while he did suggest some of these amendments to the members of the other place, there was at least one which the government had not suggested nor approved at

the time, but accepted when it came back to the house. We can go into detail in this regard a little later.

The minister this morning has challenged the right of the Senate to make an amendment to a bill which restores to Canadians the right of appeal from a decision of the minister. If that doctrine were established it would mean that no matter what provision was put in any kind of finance bill, even though it had nothing whatever to do with the financial clauses of the bill but a lot to do with other aspects, including rights of appeal, the Senate could never touch any portion of the bill dealing with such rights of citizens if the clause being amended was included in a money bill. That is the doctrine which the minister is trying to lay down in this House of Commons today.

So far as we are concerned, if the government wishes to alter beyond question the powers of the Senate in respect of this or any other matter, that is the government's responsibility. It will have a hard time proving that the Senate, in this particular case, does not have constitutional power to make this kind of an amendment, which is an amendment that does not directly concern any of these financial provisions but which is concerned exclusively with the right of appeal from a decision from the minister.

Mr. Speaker, if this amendment is not accepted by this house—and the government has made it quite clear that it is not going to be accepted—then presumably the house takes the stand that, having rejected the amendment, the bill is to be sent back to the Senate. I hope the normal and appropriate procedure will be followed in that case, and there will be a conference between the two houses in an effort to find a solution which safeguards the rights of the people by preserving the right of appeal in this case, but which will remove any legitimate objection the government could advance in respect to considerations of speed and efficiency of operation. That would be the normal course to follow if this amendment is rejected.

However, Mr. Speaker, so far as we are concerned we made our position very clear in regard to this matter when the bill was debated in the House of Commons earlier. We took the stand then that there should be an appeal and that the existing right of appeal should not be removed. We regret very much that it was necessary for the upper chamber to take steps to restore that right of appeal which had been removed by at least the majority of the representatives of the people in this house.

[Mr. Pearson.]

Mr. Erhart Regier (Burnaby-Coquitlam): Mr. Speaker, I expect that the government is going to get its way in respect to this bill as it has in other matters, and I believe rightfully so. However, we are concerned as to the number of items in respect of which the government is beginning to get its way because of its obvious majority. I believe it was Lord Acton who said:

Power tends to corrupt; absolute power corrupts absolutely.

We have had a number of appropriate indications recently in this regard, and I need only refer to the debate which took place yesterday concerning the governor of the Bank of Canada. The original proposal of the government in this particular bill now before us was opposed by the opposition because in it we observed another indication of absolute power corrupting absolutely, in that the government was attempting to abolish the ordinary right of appeal to the tariff board.

I have always been of the opinion that one of the primary responsibilities of the other place as an institution is to ensure that no majority in this house is ever allowed to be used to the point where the rights of people, minorities and others in Canada, are abrogated arbitrarily.

I believe there is a very good reason outside of the obvious one why we are opposed to a minister of national revenue having final authority. A number of us in the opposition noted that a device which is proposed to give a minister complete and absolute authority might be used to raise tariffs by back door methods on the national scene. I believe the minister as much as admitted that when he spoke half an hour ago and indicated that the whole aim of the bill, which according to his contention is now being frustrated by the other place, was to enlarge job opportunities, employment opportunities in Canada. As the Conservatives of Canada have always used that term it has usually been allied with higher tariffs. It now becomes obvious that the reason the minister was to be given this arbitrary power was so he would have the right, as I said before by the back door method, to increase tariffs without Canadians really becoming aware that tariffs were in fact being increased.

I should like to endorse the proposal or contention of the leader of the official opposition. If the tariff board is so far behind in its work, our government is lacking in its responsibilities in that it does not ensure that the tariff board either is enlarged or other ways and means are discovered by which it can do its work with a little more dispatch than, in the words of the minister, it is now able to do.

The minister gave as an example of why he felt this amendment infringes the sole and

undoubted right of the commons to impose taxation. He went back to 1959 and said that example stands on all fours with the situation now before us. If I heard the minister correctly he informed us that in 1959 the other place was in fact attempting to tamper with the levels of revenue by seeing that certain corporations would not be able to take advantage of existing tax privileges. I fail to see how the right of appeal stands on all fours with the right or otherwise of corporations to enjoy tax privileges. I hope before the debate ends the minister will look back into history, and if he does he may be able to come up with much sounder examples and precedents than the one he has given us.

The minister rather clearly underlined my basic contention when he admitted that the estate tax amendments were in a different category because in effect he, the minister, had asked the other place, according to his pronouncements today, to in fact exceed its authority and amend legislation having to do with the levels of revenue of the government.

I believe we shall have to continue to insist that the right of appeal to the tariff board, as proposed by the Senate, ought to be adopted by this house. I am glad that in this instance at least the Senate has performed a function which I had always been taught was one of the prime functions of the other place. Even though the government has a big majority in this house I hope if it really believes that the other place has any role to play at all—and there are many Canadians who are in doubt as to the validity of that proposition—then would it not agree that one of the prime reasons for the existence of the other place is to ensure that the basic rights of Canadians shall not be taken away from them by a majority in this house; and that therefore the other place is perfectly meeting at least one of its responsibilities when it attempts in this amendment offered to us to restore to Canadians the right of appeal which they have had over many long years.

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, perhaps there is not very much one can add to what was said so well, so succinctly and so justly by the Leader of the Opposition. This is just another and an earlier example of what we have been witnessing in this house in recent weeks, the attempt of a government using, in the words of the *Encyclopaedia Britannica* in the article on the bill of attainder, a servile majority to establish a dictatorship in this country and to remove the individual citizen those very rights that the right hon. gentleman talked so much about only a year ago on this bill of rights, about which he boasts so much and which he spends public money to circulate, with his own statements attached to it, for propaganda purposes.

Mr. Speaker: Order. I think I should question the course the hon. member is taking as being outside the scope of the discussion. We are dealing with a specific amendment. References to the bill of rights and other extraneous matters ought not to be brought into the discussion unless they apply to this amendment. Bourinot deals with the matter in this way in the fourth edition at page 535:

> When amendments made by one house to a bill from the other house are received back, and are under consideration—

This is our position this morning:

> —it is not regular to discuss the bill itself, or its principle, or the policy of the government thereon; but the debate must be confined to the amendments.

Bascially the amendment is the insertion of the right of appeal. I do not want to circumscribe the discussion, but I wanted to put in that cautionary word before the hon. member got too far afield.

Mr. Pearson: Surely this amendment, as you have just said, has to do with the restoration of the right of appeal which was taken away from the citizen as a result of the legislation passed in this house. Surely, Mr. Speaker, the effort on our part to restore the right of appeal has some relationship to the bill of rights where the right of appeal is supposed to hold.

Mr. Pickersgill: I understand that Your Honour made no ruling but just issued a cautionary word which I thoroughly accept, because as hon. members will recall I made the argument in the house when the bill was before us before it was passed by this majority—I will not repeat the adjective I used, but I do think it applies in this instance—

Mr. Martin (Essex East): But I will.

Mr. Pickersgill: I have no doubt that my hon. and eloquent friend from Essex East will have something to say about this, and he far exceeds me in his capacity to describe this act of tyranny with adjectives which do not exist in my limited vocabulary, an act of tyranny that is all the more astonishing coming from the government headed by the author of the Canadian Bill of Rights, one part of which I now propose to read:

> Every law of Canada shall, unless it is expressly declared by an act of the parliament of Canada that it shall operate notwithstanding the Canadian Bill of Rights, be so construed and applied as not to abrogate, abridge or infringe or to authorize the abrogation, abridgment or infringement of any of the rights or freedoms herein recognized and declared, and in particular, no law of Canada shall be construed or applied so as to

(e) deprive a person of the right to a fair hearing in accordance with the principles of fundamental justice for the determination of his rights and obligations;

Now, sir why does parliament exist? Why did parliament come into existence in the first place? It came into existence to give the consent of the people to taxation and to avoid having taxes imposed by the crown or the minions of the crown, as every minister is. This is what these ministers seem to forget. They seem to think that because, under our system of responsible government, they have a majority behind them, parliament no longer matters; that they alone were chosen by the people and not all of us in this house. They think they were chosen by the people to speak for the people and to decide what the taxes should be and how they should be levied. This, sir, is not true, and the tyranny of the Queen's ministers can be just as great as the tyranny of the Queen before she had ministers sitting in parliament.

I say that what is being sought here, as we said when the bill was being debated before and as hon. ladies and gentlemen in another place have said—I might stop and say parenthetically that I congratulate the hon. member for Burnaby-Coquitlam. He must have found it rather difficult, and I respect him all the more, for having done it knowing the views that he and his party hold on the Senate, to pay the tribute he did to these ladies and gentlemen who seem to be more concerned about our liberties and our rights than the majority in this house. This is the issue, and the only issue. The suggestion, sir, that the method of determining the nature of articles to be assessed and the accuracy of the facts is an aid or a gift is a perversion of the English language such as perhaps only the Minister of Finance could do, as through his recent tactics he has demonstrated he is capable of doing.

Mr. Martin (Essex East): I agree with that.

Mr. Pickersgill: It seems to me that what is an aid or gift is the rate of duty, and the rate of duty is in no way affected by this matter. What is affected is the determination of the facts on which that duty shall be based and collected. It would be just as simple to say that the income tax that shall be paid will be whatever the minister of national revenue sees fit to exact from each individual Canadian; that is exactly parallel to what we are asked to do here. We are asked to say that the minister shall determine the conditions precedent, to use a phrase that is very dear to the Prime Minister, to the tax. The minister is to say of his own knowledge and in secret, because the facts are so secret—we know something about facts that are so secret, because we have learned something about them in the past few days—that they cannot be disclosed even to the tariff board.

This is what we were told by hon. gentlemen opposite during the course of the debate on this bill in this house. The taxpayer must not be allowed to know what the facts are on which he is being assessed; he has no right to know. The facts are so secret that they must be kept in the breast of the minister of national revenue, acting capriciously and beyond the right of appeal to any kind of tribunal.

This would have been serious enough if there had never been an appeal before, but there has been an appeal. This parliament over the years, and the Minister of Finance pointed this out in his presentation of the bill, has seen to it that the appeal was gradually strengthened. If I recall the circumstances correctly, and if I do not I would be very happy to be corrected by the minister, I think originally the appeal was from the customs officer who made the adjudication to a board which was merely an administrative board. This was not a very satisfactory form of appeal, but it was a form of appeal. Then Right Hon. R. B. Bennett set up the tariff board in its modern form, and there was an appeal to this tariff board which was a tribunal and court of record. From that time forward there has always been an appeal.

Now this house has decided, and is being asked to reaffirm the decision, that the right of appeal which less than a year ago was guaranteed by this parliament in the bill of rights, is to be taken away from the subject; that is the whole issue and the sole issue here. Why do hon. gentlemen want to do it? They do not tell us. They give the excuses, as the Leader of the Opposition has said, that every government seeking arbitrary power has always given; convenience, speed and secrecy. Dark deeds in dark places.

As a matter of fact, as I pointed out—and I was scoffed at by the treasury benches when I did so, but this was before certain revelations had been made in certain inquiries being held in other places—the Minister of National Revenue could make one adjudication for friends of the government and another adjudication for those who were not his friends. No reason would need to be given and there would be no access to any kind of information, no right of appeal to anyone. Not only do I say that could be done, but no one will believe that sooner or later, under some minister, it may not be done. I do not say it will be done; I am not saying any such thing, but I can remember speeches by the right hon. gentleman when he was sitting over here and did not have to account for his

words by his acts, when he could simply enunciate broad general principles without worrying at all about whether there was any conformity between his words and his deeds—

An hon. Member: What are you doing now?

Mr. Pickersgill: The hon. gentleman asks me what I am doing now. I am exercising one of the freedoms still left to us, the right of a freely elected member to speak in parliament. I notice an increasing number of the servile majority who think that right should be taken away from us, right in this chamber.

As I say, when the right hon. gentleman was sitting over on this side of the house, no one was more eloquent. He was far more eloquent, I think than anyone on this side of the house today, with perhaps one or two exceptions. I will not attempt to indicate who those exceptions are, except to say that I would not include myself. I, sir, am a plain man given to using plain language, to say yes when I mean yes and no when I mean no without resort to evasion or equivocation or dodging or squirming as hon. members opposite do. I say the right hon. gentleman, when he was over here, was always wont to point out, and about no one more than about me, that to give arbitrary power to ministers was the most dangerous thing that could possibly be done.

The right hon. gentleman made a promise in the election campaign. It was one of the many promises which he made and which are still just words. In the election of 1957 he promised that one of the first acts of the government of which he never expected to be the head would be to change the immigration regulations and the Immigration Act in order to deprive the minister of those arbitrary powers which he then had. Four years have passed and the only time that they attempted to change those regulations at all they were so laughed out of court that the hon. lady was obliged to come back and return to the regulations I had recommended to my colleagues. A promise in this regard has been made to amend the Immigration Act in every speech from the throne, but no change has been made.

The point I am making is this. If the minister of immigration should not have arbitrary powers—and it has been said by the right hon. gentleman that he should not have them—then considering the whole of English and Canadian constitutional history, and considering indeed the whole constitutional history of free countries, surely no minister should be given by any parliament the exclusive right to tax. Again to quote things that were often said by the right hon. gentleman when he was over here on this side of the chamber, the power to tax is the power to destroy; and the power to tax in this particular measure is peculiarly the power to destroy.

What is the minister going to do? The minister is going to decide in one case that something could be made in Canada and thereby probably destroy the business of someone who wishes to import that article. In another case he is going to decide that it could not be made and thereby destroy the opportunity that some manufacturer might have of making it in Canada. The only criterion on which these decisions will be made will be the colour of the gentleman's eyes the size of his brief, or perhaps the size of something else.

Some hon. Members: Oh, oh.

Mr. Pickersgill: Hon. gentlemen can fill in that third point for themselves. But having regard to the evidence we have as to how hon. gentlemen opposite have obtained some of the support they have obtained for themselves in recent elections, and having regard to some of the revelations that have been made in certain inquiries in the province of Quebec, I think the meaning of my words will be plain. I say that for us in this house to uphold the government in this attempt to restore to the crown the right to tax without the consent of the representatives of the people—a right that was taken away from the crown in the 14th century—is one of the most preposterous attempts at tyranny that we have ever witnessed.

Of course I do not think it was a conscious attempt at tyranny, but that makes it worse. Here is the Minister of Finance so oblivious of our history, so oblivious of our rights, so oblivious of all those things which are the foundations of our freedom that he comes in here and says that the convenience of this taxpayer or that taxpayer is more important than are the fundamental and immemorial of our rights, namely the right of the people through their representatives to consent to and control the taxes; and the right, moreover, of parliament—a right which has been very zealously guarded for over 100 years—to lay down precisely and surely the conditions upon which the subject will be taxed so that the tax exacted of one citizen will be on the same basis as the tax exacted of another citizen.

Under this bill there will not be the slightest assurance that such a thing will happen. In fact there will be absolute certainty that it will not happen. However wise the minister of national revenue may be—and I think the present minister is a great deal wiser than are most of his colleagues, but that is perhaps not saying a great deal—he is human and he is fallible. Out of his own wisdom, uncontrolled by any kind of inquiry, without

being under the obligation to give any kind of reasons for his decision, it is absolutely certain that he will not make the same decision on two sets of facts. From time to time it is certain to happen that a decision will be given one way in one case and another way in another case, even in good faith.

I do not impute to the hon. gentleman who temporarily has these functions any lack of good faith. I do not do that at all. That brings me to another point which is very important, which also was stressed very frequently by the right hon. gentleman opposite. It is not a matter of the person of the minister; it is not a matter of the character of the minister; it is a matter of the giving of power to any minister, however trustworthy. I do not think even the Prime Minister would insinuate that any less trustworthy minister ever sat in this house than my right hon. friend Mr. St. Laurent, yet the Prime Minister only yesterday made certain imputations—

Mr. Martin (Essex East): The hon. member means "more trustworthy".

Mr. Pickersgill: Yes, I mean "more trustworthy".

Mr. Martin (Essex East): Everybody agrees.

Mr. Pickersgill: I hope everybody will understand that is what I intended to say. I hope that no one will ever seek to denature that accidental slip of my tongue. I say that no more trustworthy minister ever sat in this house than my right hon. friend Mr. St. Laurent. Yet the Prime Minister pointed out quite truthfully yesterday that in 1945 Mr. St. Laurent himself recommended an order in council which was, as a matter of fact, kept secret; and it was kept secret for reasons that were considered by the government of the day to be good and sufficient, because the safety of the state was involved, as the right hon. gentleman knows and he knows what it was about. It is true that on one occasion in this house—and I never attempt to denature these facts—Mr. St. Laurent denied that there was any such order. He subsequently apologized to the house and explained something that I know is hard to credit; but knowing Mr. St. Laurent I am certain it was true. He explained that he had completely forgotten about the existence of the order.

Mr. Diefenbaker: And all the members of the cabinet had forgotten. That is the interesting thing.

Mr. Pickersgill: Is the right hon. gentleman suggesting that any attempt was made at that time to deceive the house? Is he making that suggestion? I put the question directly to him. Is he suggesting that any of those gentlemen acted in bad faith in that matter?

[Mr. Pickersgill.]

Mr. Diefenbaker: They all forgot.

Mr. Pickersgill: Yes, I think that is quite true.

Some hon. Members: Oh, oh.

Mr. Pickersgill: I will tell you why, Mr. Speaker; I will tell you why they all forgot. The right hon. gentleman, who is not always too careful to state all the facts, has perhaps forgotten that that order in council in question was not passed in the full cabinet for the very good reason that it had to be kept secret.

Some hon. Members: Oh, oh.

Mr. Diefenbaker: Did the ministers not trust one another?

An hon. Member: Dark deeds in dark places.

Mr. Pickersgill: That fact is a matter of record. It has been made public.

Mr. Hamilton (Notre Dame de Grace): It is now made public for the first time.

An hon. Member: Dark deeds in dark rooms.

Mr. Fleming (Eglinton): May I ask the hon. member a question?

Mr. Pickersgill: Yes.

Mr. Fleming (Eglinton): Can he tell us which of the ministers were trusted and which were not trusted?

Mr. Speaker: Order. I think the question is not relevant to the matter under discussion, as I thought the discussion was becoming irrelevant. I trust the hon. member will bear that in mind.

Mr. Pickersgill: I say, Mr. Speaker—

Mr. Churchill: Answer the question.

Mr. Pickersgill: I was seeking to make a point which seems to have impressed itself very much on hon. gentlemen opposite.

An hon. Member: I'll say.

Mr. Pickersgill: My point is this; that on an occasion when for the first time in our history, at a time when there was an acute threat of a third world war, we found a spy ring in this country; when it was absolutely imperative to maintain the utmost secrecy in the matter, the government of that day did take arbitrary action of this kind. I admit it, and I do not pretend they did not; but I say we should not make that part of our normal law. That is the whole point.

Mr. Benidickson: Everyday law.

Mr. Pickersgill: The right hon. gentleman has maintained on the statute books the act

of parliament under which that order in council was possible, the War Measures Act, and refused last year to modify it when we sought to have it modified.

Mr. Diefenbaker: Was that order in council passed under the War Measures Act?

Mr. Pickersgill: Yes, it was passed under the War Measures Act.

Mr. Deschatelets: Nothing has changed in the War Measures Act.

Mr. Pickersgill: Certain other things were done under the War Measures Act in time of war that were not agreeable to most Canadians and certainly not to most Liberal-minded Canadians.

Mr. Diefenbaker: This was after the war.

Mr. Pickersgill: It was the day of the Japanese surrender, the very day.

Mr. Diefenbaker: No.

Mr. Pickersgill: Yes, it was.

Mr. Diefenbaker: September 5, 1945 I think was the date.

Mr. Fleming (Eglinton): August 15.

Mr. Pickersgill: The Japanese surrendered on September 6, if I remember correctly. The final surrender was just at that very time.

Some hon. Members: No, no.

Mr. Pickersgill: In any event, if the right hon. gentleman is now saying there was no danger to the state at that time and it was not necessary to take action about that spy ring, he can say so. But he did not; he took good care not to say that at that time and for a long time afterwards. There are those who were very brave long after the event.

Mr. Fleming (Eglinton): Are you looking at the hon. member for Essex East when you say that?

Mr. Pickersgill: What I am saying here is that it is one thing to do, in time of war and under the threat of war and in the face of a spy ring, things that are distasteful to us all. It is quite another thing to clothe a minister, not even the governor in council but a minister, with the power to tax in an arbitrary and capricious manner. That is what the right hon. gentleman is asking us to do, because it is his responsibility. The Minister of Finance, as we have seen in recent times, does what he is told. He has become an errand boy. It is the Prime Minister who takes the responsibility for this, as he does for every other act of government. I say that to ask this house to concur in what is clearly an act designed to give arbitrary, dictatorial and capricious powers to a single minister, in time of peace, and for no other reason—

Mr. Cardiff: You are repeating yourself.

Mr. Pickersgill: Well, it bears repetition because it seems only with the greatest difficulty to penetrate some minds. To give that power in time of peace—

Mr. Cardiff: You have stood there for half an hour and repeated yourself over and over again.

Mr. Speaker: Order. I can only hear one hon. member at a time.

Mr. Pickersgill: I say again, sir, and I think it bears repetition—perhaps the hon. member for Huron would not grasp it no matter how often I repeated it, but one would hope it would make some impression on the minds and on the historic recollections of some hon. members opposite—that there was a time in this country when we were concerned, genuinely concerned, about the right of the people to consent to every tax they had to pay; when we were concerned, and genuinely concerned, that instruments of the crown, creatures of the crown—as ministers are—should not have powers that were not under the control of the representatives of the people. I know that historically the party led by the right hon. gentleman opposite fought hard against responsible government; they resisted it—

Mr. Chevrier: Hear, hear.

Mr. Pickersgill: They fought for the maintenance of these arbitrary powers of the crown. They fought right up to 1849, and then then they went out and burned the parliament buildings in Montreal because the governor of that day had accepted the views of the majority. Not only that, they also signed an annexationist manifesto in that same year. One of the signatories of that manifesto was Sir John Rose, who was later minister of finance in Sir John A. Macdonald's government, and another was Sir John Abbott, the third prime minister of Canada.

Mr. Fleming (Eglinton): Would the hon. member permit a question?

Mr. Pickersgill: I am of course limited as to time—

Some hon. Members: Oh, oh.

Mr. Pickersgill: —and when I have completed what I have to say I will be glad to listen to the hon. gentleman's question, but not now.

Mr. Fleming (Eglinton): It is just a short question.

Mr. Pickersgill: However short it is, I would ask the hon. gentleman to allow me to continue with what I have to say.

Mr. Fleming (Eglinton): Budget by radio.

Mr. Martin (Essex East): Breaking the rules again. Always breaking the rules.

Some hon. Members: Oh, oh.

Mr. Chevrier: More respect for parliament.

Some hon. Members: One o'clock.

Mr. Speaker: Order.

Mr. Pickersgill: Mr. Speaker, when I was interrupted by the Minister of Finance with that old world courtesy which so endears him to the house, I was pointing out that in the days when we in Canada were fighting for responsible government the predecessors of hon. gentlemen opposite were fighting to prevent us from having responsible government. But I have thought, sir, that Sir John A. Macdonald repented of all that and reluctantly accepted responsible government.

An hon. Member: Oh, sit down.

Mr. Speaker: Order. It being one o'clock I do now leave the chair.

At one o'clock the house took recess.

AFTER RECESS

The house resumed at 2.30 p.m.

Mr. Pickersgill: Before we adjourned for the luncheon interval I made some reference to occasions in the past, some of them regrettable, when ministers held and sometimes exercised powers which it was necessary, though regrettable, to exercise in time of war. I had pointed out that those conditions were very different from normal conditions, normal taxing statutes in peacetime, as this present bill is. No one will pretend that this is a measure for the safety of the state.

There are sharp differences in the house about whether this bill is even good for the state, but that is not at issue, as Your Honour properly pointed out. We are not concerned now with whether or not this taxing statute in itself shall prevail, because it is going to prevail. We are concerned with whether or not, in the interpretation of this measure, the determination of what articles shall be taxable, and at what rates shall be done in the open with a right of appeal such as has existed for a long time, or whether that right shall, in defiance of the bill of rights, be taken away. That seems to be the sole issue here.

I do not think anyone in the country will be much impressed by hon. gentlemen arguing, as they are apt to argue whenever they have a weak case, that their predecessors may have done arbitrary things, or things which in their view were arbitrary, and that they therefore are at liberty to proceed in any way they please. I do not think such arguments would be effective, and for this reason; that they campaigned all across the country saying they were going to end that period of arbitrary rule and restore the rights of the people. I hope that neither the Prime Minister nor any of his colleagues will do what the Prime Minister seemed to be doing in another debate and suggest that because somebody else seemed to be doing something at some other time which, in his view, he was not justified in doing, the government is justified in doing wrong now.

That is the point. That is invariably the argument of hon. gentlemen opposite on occasions such as this. They seem to feel that the opposition in this house has no rights; no right to express an opinion because, they allege, at some time in the past, when some members of the present opposition were in office, it may have done some things which they felt were arbitrary. It seems to me that this kind of argument is only used by someone who has the weakest of weak cases. Yet I shall not be at all surprised if it is used again to provide another smokescreen, because that is the normal method by which this government evades, or seeks to evade, responsibility. It works for a while, but the public is gradually getting wise to it. This country is gradually realizing that the government is, in the first place, incapable of continuous and steady action of any kind and that it seeks, whenever things get out of hand, to find someone else to blame for its own incapacity.

But there is far more than incapacity involved here. This is a deliberate attempt to restore the ancient right which the crown claimed before parliamentary supremacy was established, the right to tax without the consent of the representatives of the people. Once that power is vested in a single minister, uncontrolled, unanswerable to the courts, as the government is seeking to do in this bill, the old control exercised by parliament will be gone. The government is seeking to go back to the days of ship money—

Mr. Bell (Carleton): Would the gentleman permit a question?

Mr. Pickersgill: When I have finished. I am following the example of the hon. gentleman the other day, remembering the helpful intervention which he made on another occasion.

I was saying that the government is seeking to go back to things like ship money, seeking to go back to the Bate case, seeking to go back to the days when the crown sought to impose arbitrary levies on people in order to get parliament out of the way. I suggest that maybe we are going to see the same sort of thing again, the same overriding of parliament, the same hope that parliament's right to tax will be forgotten.

An hon. Member: Would you permit a question—

Mr. Pickersgill: Hon. gentlemen opposite do not seem to like to hear the argument. That is perhaps the next right that is going to be taken away from us, the right of members here to speak in this house without interruption so that a consecutive argument may be made. I say that in the government's refusal to accept this amendment we have an attempt to turn back the clock—not the clock, because this goes back to the days before there were clocks—but an attempt to turn back the centuries to the days of the old feudal monarchs before the people had any say, before the people had any right to decide on the aids they would give to the crown. Under the guise of convenience, under the guise of safety, under the excuse that things must be kept secret, they say we must trust one minister, and he must not be questioned in what he does. We must trust him to decide what is taxable and at what rate, because by deciding what is taxable he is deciding at what rate it will be taxed.

Surely anyone who has any belief whatever in the rule of law, any belief whatever in the right of a subject to a fair hearing, any belief there should be no taxation without real representation, and any belief in the rights of parliament to make the tax laws in open parliament and not by the cabinet or a minister in secret, could not conceivably support the kind of legislation the government has advanced.

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, I am pleased to hear from the hon. member for Ottawa West, whether I agree with him or not on occasion, because he at least presents his arguments in a way which is logical. We have just listened to a typical outburst on the part of the hon. member for Bonavista-Twillingate which was theatrical, hysterical, interesting and deliberate in a way that shows the depth and degree of reformation that has come to that man in the last few years in the House of Commons. I thank him for opening the doorway into the privy council chamber a bit by telling us what happened in September, 1945, when the ministers among themselves apparently had some doubt of each other and therefore found it necessary to have a little coterie within that cabinet to pass an order in council that swept aside the rights of individuals in Canada to a degree which had never before taken place in the entire history of confederation.

Indeed, the interesting thing about that order in council was the fact that it swept aside the right of habeas corpus and provided in effect that an individual might be imprisoned and held incommunicado because it provided that no one, however wrongfully held and whatever the circumstances, had the right to challenge his incarceration in the courts. When the matter came up, and I am speaking from my recollection of that year, the then minister of justice, Right Hon. Louis St. Laurent, told me that there was no secret order in council. He maintained that position until the end of December, 1945. In February of 1946 the then prime minister, Mr. King, rose one day and said he had an order in council, the one that the minister of justice had forgotten about. That was the order in council which had swept aside all the rights of Canadians in a way that was unjust, unfair and, to use my hon. friend's words, tyrannical to a degree that is almost beyond conception today.

I do not intend to go into the past, but I did appreciate that fact coming from the hon. member because he had knowledge of what took place in the cabinet and was able to reveal it today. How it came about has been something we have been wondering about all through the years, and I know the historians of the future will pay their tribute to this historian for the contribution he has made today.

I am not going into the arguments as to the merits of this legislation, because they have been dealt with. Whether hon. members agree or not, the House of Commons dealt with this matter, and dealt with it at much length. All the arguments that have been advanced today were advanced then, possibly not as spectacularly or in as an illogical manner but none the less they were brought before the house. I am not going into that argument at all because it has been dealt with over and over again, but what I intend to deal with is just one matter, and that is the right of the Senate of Canada to interfere with legislation respecting taxation passed by the House of Commons.

I thank the hon. gentleman for having said that this is a taxation measure. Hon. members will remember how he enlarged upon that in saying that the power to tax is the power

to destroy. My recollection of that statement is that it came from a former prime minister of Canada in the person of Sir Wilfrid Laurier.

Mr. Pickersgill: It is older than that.

Mr. Diefenbaker: Having now the approbation of the hon. gentleman, my memory is indeed proven to be correct. Sir Wilfrid Laurier said that. I am glad that the hon. member participated in the debate, because he emphasized that this is a taxation measure.

Mr. Martin (Essex East): That is not be point.

Mr. Diefenbaker: That is the foundation upon which I build my argument, and nothing can be more beneficial than to use the arguments of those opposite for the purpose of establishing one's own argument. This is a taxation measure, and it being a taxation measure what are the rights involved? The Minister of Finance referred this morning to standing order 63 of the House of Commons, which reads in part:

> All aids and supplies granted to Her Majesty by the parliament of Canada, are the sole gift of the House of Commons—

All through the years from the earliest times the Senate took the stand that it could make amendments, and it followed that course periodically and regularly. That was not the situation in the United Kingdom. We adopted in Canada a constitution similar in nature and kind to the British constitution. In the United Kingdom the position has been made very clear throughout the years, and was established centuries ago. The House of Commons has complete control of revenues and expenditures, and the House of Lords has no right to either initiate or amend money bills. Until about 1910 or 1911 the House of Lords did have the right to reject money bills, but that right was taken away by the parliament act of 1911. In the United Kingdom today money bills normally do receive the assent of the lords, but machinery is now available whereby money bills and other bills can become law without the concurrence of the House of Lords.

The hon. gentleman referred to antiquity and the foundations of parliament, and dealt at some length with parliamentary powers and prerogatives. It was on July 3, 1678, that the position of the commons and the lords was set out in a resolution of the house of commons of that day.

> All aids and supplies granted to His Majesty in parliament are the sole gift of the commons, and all bills for the granting of any such aids and supplies ought to begin with the commons, and it is the undoubted right of the commons to direct, limit and appoint in such bills the ends, purposes, considerations, conditions, limitations and qualifications of such grants which ought not to be changed or altered by the House of Lords.

Through the years, even as late as 1918, the Senate of Canada took the attitude that it could in fact amend bills which were in the nature of taxation measures. I recall the late Right Hon. Mackenzie King and the manner in which he spoke of the Senate of his day, and I make no apology for referring to the Senate as such rather than the other place because I find that in the course of the arguments Mr. King advanced he invariably referred to that place as the Senate of Canada. I go back to July 19, 1924. As far as I am able to ascertain, this was the first time that Mr. King made any suggestion as to what he had in mind respecting the rights of the non-elected representatives of the people to thwart and interfere with, to amend, abrogate or otherwise alter the power of the House of Commons. This is what he said:

> Having in mind the action of the second chamber with respect to the measure which has just been amended and also the fate of a number of bills adopted by the commons and defeated in the Senate, I think hon. members will agree with me that the time has come when the commons in Canada should seek to gain rights and privileges with respect to legislation originating in this chamber similar to those which have obtained by the House of Commons in the parliament at Westminster. I may say that the government had under consideration, prior to the opening of this session, legislation with this end in view—

I stop to point out to the hon. member for Bonavista-Twillingate, the Boswell of Mr. Mackenzie King, that this was in 1924, and Mr. King had in mind at that time that something would be done. I refer to what he said:

> The government had under consideration, prior to the opening of this session legislation, with this end in view, but we were anxious the public should feel fully convinced of the necessity before pressing it on the attention of parliament. I desire to assure the house that when parliament reassembles steps will be taken by the government to obtain, if possible, means whereby bills may be enacted by and with the advice and consent of the House of Commons under conditions similar in principle to those which have been sanctioned for the parliament of the United Kingdom.

The hon. gentleman referred to the carrying out of promises. That was in 1924. The year 1925 came. The hon. member will recall that in the election of that year the reformation of the Senate was a major matter; it was indeed the pre-eminent issue.

An hon. Member: Oh, no.

Mr. Diefenbaker: He continued in power until 1926, and then for a short interval he was out of power. He returned to power. The Senate was going to be reformed. A little later on he told Canada quite candidly

how the reform came about, namely by substituting live Grits for dead Tories. That was the nature of the reformation. This went on, and then he entered into an arrangement whereby each of his appointees to the Senate was required to sign an undertaking as to what he would do after he got there.

Well, in 1947 Mr. King referred to the nature of those undertakings. I do not want to clutter up the record too much, but each and every one, as appointed to that body, was asked a question by Mr. King. He was asked for an assurance of support of such measure of Senate reform, in conformity with the requirements of the constitution, as might be introduced by the Liberal administration. He went on to say that this assurance had been given by all who had accepted appointment to the Senate within the time mentioned. Well, that was the last we ever heard about that subject, except in subsequent elections. Now we are in the position where the House of Commons of Canada has spoken. Whatever arguments are advanced today—and they were advanced before, and I am not here for the purpose of answering them—this legislation is taxation legislation. Again I thank the hon. member for Bonavista-Twillingate; I wish to repeat the thanks. I am sorry he did not continue in law, because after all he has given his opinion—based not only on his experience as a law student but also as a former clerk of the privy council and as a minister of the crown—that this is taxation legislation. He has made that clear. This house passed it. The purpose in mind was the provision of jobs and the assurance that unnecessary delay would not take place in regard to a matter which has to a considerable extent crippled the productive and industrial capacity of Canada. I refer to the bringing into Canada of goods of a class, or so close to a class or kind, manufactured in Canada so as to permit evasion of the legislation which exists for the preservation of Canadian jobs in Canadian industry.

I am glad to see hon. gentlemen opposite on the side they are on this matter. The hon. member for Bonavista-Twillingate said, "we did this and that, but those were days when things were serious." If I were to believe what hon. gentlemen opposite have endeavoured to lead the Canadian people to believe, I would think we were living in one of the most serious economic days that Canada has ever seen.

Mr. Martin (Essex East): That is true.

Mr. Diefenbaker: They have been asking for action. Having listened just yesterday to the hon. member for Essex East, I wondered whether he could maintain silence. It is very difficult.

Mr. Martin (Essex East): This is the most serious time in Canadian economic history.

Mr. Diefenbaker: I seem to remember another time that was fairly serious for the hon. member for Essex East, but I am not going into that now. I am pointing out this is a taxation measure. There were a few Liberals in the Senate who saw the situation as it was.

Mr. McIlraith: I should like to raise a point of order.

Mr. Speaker: The hon. member for Ottawa West is rising on a point of order?

Mr. McIlraith: It is on the question of relevancy. Item No. 4 on today's order paper reads:

Consideration of the amendment made by the Senate to Bill C-72.

Mr. Starr: Liberal closure as usual.

An hon. Member: Obstruction again.

Mr. McIlraith: If we can get some order I can state the point of order. The amendment made by the Senate deletes a certain sentence in the bill and substitutes the following:

Subject only to an appeal to the tariff board—

That is the essential part of the amendment. Now, as to relevance; surely the argument must relate to the amendment. Surely it cannot go over the rather interesting field that the Prime Minister has been discussing, however interesting that may be for discussion on another occasion when other subjects are before the house.

Mr. Diefenbaker: May I simply suggest that possibly the hon. gentleman was not here when the hon. member for Bonavista-Twillingate dealt with the subject.

Mr. Pearson: On the point of order, Mr. Speaker, may I say that I think it would be helpful to get your guidance as to whether, on this particular amendment from the Senate, we can discuss the main bill and whether we can discuss the reform of the Senate and the powers of the Senate.

Mr. Speaker: Perhaps if I read the motion before the house it will help to answer the question which has been raised in the point of order, namely the relevance of what has been said about the Senate. I did indicate this morning that in so far as the bill is concerned, the matter which is before the house for discussion is only the amendment to the bill made by the Senate. The motion which is before the house is broader than that; it calls for a message to be sent to the Senate to acquaint Their Honours that this house disagrees with the amendment made

by the Senate to Bill No. C-72, an act to amend the Customs Tariff, for the following reasons: The amendment infringes the sole and undoubted rights of the commons to impose taxation; it alters the application of taxes, and interferes with public revenues. I think it puts directly in issue the right of the Senate to make the amendment which it has made.

Mr. Diefenbaker: Mr. Speaker, I think I had arrived, when I was given a rest by reason of an interruption that had no basis, at the point of saying that the House of Commons dealt with all the arguments. Hon. gentlemen expressed themselves strongly. They talked for nine days. This reminds me also of the fact that the hon. gentleman who just finished speaking said we were getting to the point where they could not express themselves. Yet we had nine days of talk. There was a careful examination, very helpful and beneficial.

I can also say to the hon. gentleman that the newly found reformation on his part is welcome after the way in which freedom was crucified in this house by the closure imposed when those four hon. gentlemen over there were members of the government. I have made an error, Mr. Speaker; I included the hon. member for Laurier, who was absent at that time in better climes.

Mr. Chevrier: It would not be the first error you have made.

Mr. Diefenbaker: I pointed out the fact that this bill was discussed and went over to the other place. A few members of the other place saw otherwise, but they decided that they were going to amend a taxation bill. Let me make this clear. We are not going to accept their amendment of this taxation bill.

Mr. Pearson: Down with the right of appeal.

Mr. Benidickson: To hell with the bill of rights.

Mr. Diefenbaker: They have all got the same refrain, Mr. Speaker; the bill of rights. The thing they ridiculed they now found all their arguments upon.

Mr. Pearson: No, you have torn it up.

Mr. Diefenbaker: I do not want to enter into conflict with them, I simply want to state the facts. Their leader in the Senate chose to immediately give an indication of what would be done. I say this, and I repeat it; that the question as to whether or not the Senate of Canada is going beyond that responsibility which it has discharged and can discharge with effectiveness under the constitution is a question that the Canadian people will have to decide sooner or later.

[Mr. Speaker.]

Mr. Deschatelets: We will meet you halfway.

Mr. Diefenbaker: I notice that in response to that remark there was but one lone voice over there, and he used the top of his desk. Otherwise there was silence at that moment.

The other place has over and over again in the past four years made amendments that have been beneficial and helpful in the discharge of its joint legislative responsibility. The bills have come back here amended and we have accepted them. On one occasion, at least, the amendments were very close to the line, if not over the line. We made it clear there was no precedent being created thereby.

In this case this government takes its stand. We shall not, as the Minister of Finance has said, accept the authority or right of the Senate to make this amendment. I hope the house will agree with that stand. The bill will be sent back to that body. If they choose to stand on what they have done this legislation, beneficial to the Canadian people, legislation that has universally been requested, can only pass out of existence, for we on our side will not accept the amendment. In the days ahead we shall ascertain the constitutional rights of this country in the only way in which they can be ascertained.

I said a moment ago that that would be sooner or later. I remember so well another occasion when the challenges were given as to what was going to happen—"and soon"—so I say this. This is a major matter. It was discussed in detail for nine days. Whatever the demerits, every argument that could be advanced was advanced by the opposition, strongly and fearlessly. This house, if we are to maintain the Canadian constitution, cannot in taxation matters be subject to the untoward interruption and interference of the other house. I make that clear.

Mr. Pearson: May I ask the Prime Minister a question. Is the position he takes that the government refuses to accept the restoration of the right of appeal from a decision of the minister, and is willing to stand or fall on that issue?

Mr. Diefenbaker: Mr. Speaker, even the Leader of the Opposition should understand clearly what I have said. There was none of that equivocation, and fence straddling, for which he has become famous.

Mr. Pearson: Will the Prime Minister now answer my question?

Mr. Diefenbaker: It is answered.

Mr. G. J. McIlraith (Ottawa West): Mr. Speaker, unlike the Prime Minister, I shall endeavour to address myself to the question before the house.

Some hon. Members: Oh, oh.

Mr. McIlraith: I admit at once, of course, that I do not have the skill of the Prime Minister in the art of irrelevance and trying to throw up a smokescreen so as to mislead anyone who will read his remarks. If I had that skill, Mr. Speaker, I assure you that I should not desire so to use it.

Mr. Walker: You are safe.

Mr. McIlraith: The interjection of the Minister of Public Works was one that I did not hear. Perhaps it is just as well that I did not hear it.

Mr. Walker: Do you want to hear it?

Mr. McIlraith: I should not like to have to answer my old classmate and colleague in the way in which he should be answered and dealt with.

The business before the house is consideration of the amendment made by the Senate to Bill No. C-72, an act to amend the Customs Tariff. As is indicated on the order paper, the amendment of the Senate is contained in June 15 *Votes and Proceedings* at page 671. I should like to read it in order to make my point. It goes on to say:

> A message was received from the Senate informing this house that the Senate had passed Bill C-72, an act to amend the Customs Tariff, with the following amendment:—
>
> Page 1, lines 22 and 23: Strike out lines 22 and 23 and substitute therefor the following:
>
> "(3) Subject only to an appeal to the tariff board, the decision of which board shall be final and in respect of which appeal the provisions of section 44 of the Customs Act shall apply *mutatis mutandis*, the minister shall decide the following matters:".

It will be noted that the only significant change in that amendment is with reference to the right of appeal from the minister. The minister's power to decide is left unhampered.

The Minister of Finance this morning in dealing with this matter, when he set it out, indicated to the house that he proposed to reject the amendment of the Senate. It is quite the privilege of the house, if it wishes to do so, at any time to reject a proposed amendment of the Senate. But he went on to say this, and I think this motion should be read again to the house because it completely ignores any relationship to the amendment before us. As I said earlier, the Prime Minister seemed to me to completely ignore the whole matter before the house in an effort to find an issue where he could drag up, for some purpose of his own, the question of Senate reform. That is a subject that I might be very interested in discussing on a proper occasion. The motion now before the house, without notice, by the Minister of Finance is the following:

> That a message be sent to the Senate to acquaint Their Honours that this house disagrees with the amendment made by the Senate to Bill No. C-72, an act to amend the Customs Tariff, for the following reason:
>
> The amendment infringes the sole and undoubted right of the Commons to impose taxation; it alters the application of taxes and interferes with the public revenue.

It is elementary, of course, that the Senate have no right at all, or that the House of Commons has the sole and undoubted right, to impose taxation. That is elementary. I do not know why that reference is put in this motion before us now. It is irrelevant. I perhaps should have pressed the point harder earlier when Your Honour was putting the question, but it seems to me that it has no relationship to the business before the house at all and that that part of the amendment is irrelevant to the subject matter before the house. If such commentary is permitted in a motion rejecting an amendment of this sort, the one before us dealing with the right of appeal, then of course we could add any other commentary. We might add some facetious commentary such as, for instance, that we did not like the names of the hon. senators or any other comments we wished to add. Neither the minister nor the Prime Minister made any attempt whatever to relate that part of the motion to the amendment proposed by the Senate. They glossed it over and talked about Senate reform and other matters that are not before us on this occasion.

The Minister of Finance did the house a real disservice in his argument when he made reference to the income tax amendments proposed by the Senate in 1959. As I recall it the situation was this. Since I did not know the line which the Minister of Finance was going to take in dealing with this Senate amendment I have not looked the matter up, but I think my recollection of it is correct. The house had proposed a change in section 71 of the Income Tax Act closing the class of companies that could be called foreign corporations, formerly called 4-K companies. I believe that was the terminology. The significance of that was that no companies incorporated in the future would do other than pay income tax or corporation tax in the ordinary way. That type of corporation with which we were concerned on that occasion, namely the foreign corporations, paid only a nominal type of tax. I think it was $100, but I am subject to correction as to the amount.

Mr. Benidickson: That is right.

Mr. McIlraith: In any event, the house dealt with that taxation matter. The Senate proposed an amendment striking out that part of the provision in the amending bill.

Mr. Benidickson: The whole clause.

Mr. Speaker: I wonder whether the hon. member for Ottawa West will allow me to interrupt him. There is a good deal of conversation going on, and I think a good deal of it comes from the corridor. If hon. members cannot moderate their voices I suggest that they go into the lobby, as it is very difficult to hear what is being said.

Mr. McIlraith: The Senate amendment on that occasion struck out the clause in the bill, and the effect of it was virtually to exempt from corporation taxation all companies of the type which I have described or which might be incorporated in the future.

Mr. Benidickson: And it changed the revenue.

Mr. McIlraith: In other words it related to the imposition of taxation on the companies with which we were concerned on that occasion, and there was no question at all but that they were seeking directly to undo the imposition of taxation imposed by this House of Commons. There can be no question in the mind of anyone so far as I know that they had no right to do that. Certainly I am not aware that anyone in this House of Commons suggested that they had the right to pass such a clause.

The matter before us today has no such connotation at all. It is a very narrow point. What the Senate chose to do is this. Although from reading the debates I believe that some of them did not like the legislation, they chose to accept any parts of the legislation that had any implications of taxation at all. They completely ignored that point, and they dealt only with the right of the taxpayer to be heard by way of appeal from the arbitrary decision of the minister. The essential part of the amendment is in adding the words:

Subject only to an appeal to the tariff board,—

They dealt with that one matter, and that alone. I ask the house—

Mr. Benidickson: In open court.

Mr. McIlraith: —where that infringes or has any relationship to taxation. Where does it deal with taxation? This resolution with which the house is now dealing goes on to give reasons for rejecting the amendment:

The amendment infringes the sole and undoubted right of the commons to impose taxation—

Is the Minister of Finance suggesting for one moment that an appeal to the tariff board from an arbitrary finding of a minister is imposing taxation? If he is, then he is suggesting—and this is implicit in his argument—that the minister concerned in making that decision acted not in accordance with the law and the definitions spelled out in a statute, but that he broke the law and did something under his arbitrary powers that was not in accordance with the statute.

Mr. Pearson: That is the issue.

Mr. McIlraith: Then the minister asks us to reject the Senate amendment for the following additional reason:

—it alters the application of taxes—

The application of taxes is clearly set out in the bill and in the act; every detail of the application of taxes is set out there. The Senate has not dealt with any aspect of the bill relating to the application of taxes. The only conclusion that can be drawn from the minister's motion is that the minister is suggesting that an appeal to the tariff board deciding what the law was in its application might show that the minister had broken the law and the tariff board had brought him back; that the appeal authority under the provisions of the act was altering the application of taxes. Surely the minister is not going to ask this house to believe that the whole purport of this legislation, the whole purport of giving this final right of decision to the minister was so that the minister could act arbitrarily outside the legislation. Yet that is what his motion means.

Then the minister argued that taking an appeal from the minister's decision to the tariff board would interfere with the public revenue. If the tariff board decision upheld the minister it would be difficult to see how the right of appeal would interfere with the revenue. But if the tariff board overruled the minister because the minister had made a wrong finding in fact, or had misapplied the law, would that be interfering with the public revenue, or would that be interfering with a wrongful action taken by a minister contrary to the law enacted by this House of Commons? That is the point at issue here. In other words, the minister's reasons as given in the motion which is before us are completely specious and irrelevant to the rejection of the amendment to this bill received from the Senate.

Mr. Pearson: Another smokescreen.

Mr. McIlraith: It is a complete *non sequitur* and is not to be related to the Senate amendment at all.

Mr. Martin (Essex East): Just to hide the Coyne issue.

Mr. McIlraith: My seatmate gives a good reason as to why it was done. I would perhaps

be called to order, Mr. Speaker, if I were to elaborate on why it was done. It is obviously done to divert the attention of the House of Commons from the real issue.

Mr. Pearson: Hear, hear; for no other reason.

Mr. McIlraith: The real reason for the motion before us is whether the Senate amendment giving a right of appeal to the tariff board from the minister's arbitrary decision will be accepted or rejected by this house. That is the real issue.

Mr. Martin (Essex East): To divert attention from the Coyne affair.

Mr. McIlraith: This attempt to drag in all these extraneous matters is one that I am afraid has been used all too often these days by the Prime Minister and the Minister of Finance. Perhaps I had better not enter into the debate of yesterday, when we saw the Minister of Finance struggling hard for what many of us thought were diversionary tactics.

Mr. Pearson: He thinks he has got a reprieve.

Mr. McIlraith: In answer to this point—

Mr. Benidickson: The fishing is not any better.

Mr. McIlraith: In regard to the matter before the house today the Prime Minister chose—and I regret that he has left the house now, because I would have liked him to be here when I deal with this—to deal with an order in council passed just at the conclusion of the last great war, at a time when this country had many hundreds of thousands of troops in other parts of the world. We were looking forward to bringing them back here. They had fought a very long, hard war. I need not remind hon. members of this house about that; a great many hon. members are familiar with that in a personal way.

That order in council was dragged into this debate today by the Prime Minister as a red herring. That order in council which was passed related to a matter of the security of this nation having to do with a world spy ring having been discovered, and an urgent attempt being made to deal with that situation. The issue was whether or not the war was over; whether we were immediately likely to be engaged in another war. That matter concerned our whole security.

Just before I came into the chamber at 11 o'clock this morning I had delivered to my office the text of the speech which the Prime Minister made only the day before yesterday—

Mr. Benidickson: To the Kiwanis clubs.

Mr. McIlraith: —in which he devoted a great part of his time, practically the whole of it, to the serious threat of communism at this time, and made all kinds of strong remarks concerning the leadership of Mr. Khrushchev. I could not believe my ears, knowing the substance of that speech, when I heard—

Mr. Walker: On a point of order, Mr. Speaker, with regard to the rule that my learned friend has just invoked as to what is in order and what is not, is he not at the moment hoist on his own petard? This is completely irrelevant.

Mr. Martin (Essex East): Why don't you go back and build a bridge?

Mr. Walker: Why doesn't my hon. friend from Essex East sometimes speak with even a kernel of truth?

Mr. Martin (Essex East): On a point of order, Mr. Speaker, would you kindly contain the Minister of Public Works and send him back to digging ditches.

Mr. Chevrier: He makes himself ridiculous.

Mr. Pearson: He has never dug a ditch in his life.

Mr. Speaker: I shall keep in mind the point of order as the hon. member proceeds.

Mr. McIlraith: Mr. Speaker, I thought the Minister of Public Works was not in the chamber when the Prime Minister was dealing with this order in council. I merely want to contain my remarks within the limits of the point raised by the Prime Minister, who raised this matter in some illogical way that I could not understand as a reason for rejecting this amendment from the Senate. I could not see the relevance of the two. I did not understand what that 1945 order in council about which the Prime Minister spoke had to do with the right of appeal to the tariff board and the arbitrary decision of the minister. The Prime Minister was permitted to make reference to it and I thought I should be permitted the same latitude in replying to the argument he raised in regard to that order in council.

The Prime Minister was regrettably very careful not to give the house the subject matter with which that order in council was concerned or the situation in which the house found itself at that time. As hon. members who were here in those years will recall, the War Measures Act had regrettably to be used during the five years from 1940 to 1945. I think it was not other than distasteful to hon. members that the circumstances at the time made that practice necessary, but the point I was seeking to make was the complete

irrelevance of the Prime Minister's attempt to relate that order in council to the question which is before us. The matter of the reform of the Senate is also, of course, completely irrelevant to the point before us now. The message from the Senate contains a simple amendment having to do with the right of a citizen or, perhaps I should more correctly say, a taxpayer, to appeal to an administrative board which has grown up over the years and the authority of which has been so extended that it is now a court of record. It has to do with the taxpayer's right to an assurance that the taxation law as applied to him will be applied in accordance with the statutes of this land. That is all this amendment contains—nothing more, and nothing less.

The Prime Minister would have us believe there is some greater justice in having the taxation law of the land applied by the minister alone without right of appeal and without his being obliged to give any reasons for the decisions he takes in cases of this type where matters of fact have to be determined. The Minister of Finance, in the course of remarks which were singularly brief for him, went on to give as the reason for the position taken by the government the greater speed and efficiency which would result. In the argument which he addressed to this point the hon. gentleman used language which was identical with the language used in this country in the late 1930's by those persons who were apologizing for the fascist regime in Italy. I could not help but recall how many times some people in this country—fortunately, a minority, not a majority—used as an apology for that regime of that day the fact that they got the trains running on time. That was the theme of the small part of the argument put forward by the Minister of Finance which was relevant this morning, the only real reason he gave for not wanting taxpayers to have the right of appeal to the tariff board.

The Prime Minister, in his concluding remarks, seemed to adopt and approve this argument used by the Minister of Finance, as indeed, I would expect him to have done, but I point out to the Prime Minister that mere efficiency or ease of administration is not the test when you are applying onerous taxation to the citizens of this country. Surely something better than that should be the test.

For my part, I must say it is a matter of regret that the Minister of National Revenue (Mr. Nowlan) is not with us today. I wish to express my personal regret at his illness and his absence. I wish he were here, and I hope his colleagues will convey my regrets to him. I, for one, have never been convinced in the course of this legislation that the Minister of National Revenue knew that this provision was in the bill in the first instance.

Mr. Fleming (Eglinton): Oh. He stood up in this house and supported it.

Mr. Lambert: Surely the hon. member does not believe that.

Mr. McIlraith: Well, I can speak for myself. The hon. member for Edmonton West can interject as much as he wishes and speak as much as he wishes. I shall always protect his right to speak. I have that feeling in any event. I believe that had the cabinet had the benefit of the advice of the Minister of National Revenue on this measure since it has come back from the Senate the message we would now be sending back to the Senate would be one of concurrence in the proposed amendment. That is my assessment of the man and, as I say, I regret he has unfortunately been ill, and unable to give the benefit of his views to the cabinet on this point since it was dealt with by the Senate.

I know the Minister of Finance has a somewhat different outlook on these things. Once he has put a provision in a bill, good bad or indifferent, he will stand by it no matter how wrong it is shown to be in the course of debates in this house or by an amendment from the other place. I regret that the minister takes this attitude. I regret, also, that the Prime Minister in seeking to deal with the issue before us at this time chose to deal with many side issues which are interesting and, indeed, important, but which are irrelevant to this particular motion. The rest of the right hon. gentleman's arguments had mainly to do with personalities. I have sought in my observations to steer clear of personalities and to relate my remarks directly to the point of issue. I, for my part, must support the right of the taxpayers of this country to appeal from the arbitrary decision of the minister to the tariff board. This was a right which they had enjoyed. It was taken away by this House of Commons, and I wish to see it restored to them.

Hon. W. J. Browne (Solicitor General): I am sure everyone in this house appreciates the kind reference which the hon. member for Ottawa West (Mr. McIlraith) has made to the Minister of National Revenue (Mr. Nowlan). We all regret that he is not here today. I think that if he were here he would give an answer to the observation which the hon. member for Ottawa West made about his attitude in regard to this bill. I think the hon. member has misrepresented the opinion which the Minister of National Revenue would have expressed on this matter.

The hon. member for Ottawa West seems unable to appreciate the nature of the legislation which is before us. He has regarded this as a very simple matter. All we have here, he says, is a simple amendment which is going to protect the interests of the taxpayers. Well, who are the representatives of the taxpayers of this country? Are we not their representatives? Have we not been elected as members of this house to be their representatives? Any decision which is made here is made in the interest of the taxpayers.

Mr. Chevrier: You would not think so.

Mr. Browne (St. John's West): The hon. member has said that this is simply an amendment granting a right of appeal to the tariff board. But the hon. member has chosen to overlook a rule of this house which was established when Canada became a nation in 1867. I am referring to standing order 63 which was read by Your Honour:

All aids and supplies granted to Her Majesty by the parliament of Canada, are the sole gift of the House of Commons, and all bills for granting such aids and supplies ought to begin with the house, as it is the undoubted right of the house to direct, limit, and appoint in all such bills, the ends, purposes, considerations, conditions, limitations and qualifications of such grants, which are not alterable by the Senate.

Is this present bill, an act to amend the Customs Tariff, a bill which grants aid and supply to Her Majesty? Anyone who listened to the historical references in the speech of the hon. member for Bonavista-Twillingate (Mr. Pickersgill) would certainly have thought that this was a bill to grant aid and supply to Her Majesty, because he spoke of the arbitrary power which was given to the minister to collect taxes and to alter taxes.

Mr. McIlraith: Would the minister permit a question arising out of his reference to standing order 63? Does he suggest that the Senate amendment respecting the right of appeal to the tariff board is related to such grants as are the subject of standing order 63, or is an aid or supply within the meaning of standing order 63?

Mr. Browne (St. John's West): I think anyone with a fair mind reading standing order 63 which I will read again for the hon. member—

Mr. McIlraith: I have it before me.

Mr. Browne (St. John's West): The hon. member says he has it there; perhaps he would look at it. It reads:

All aids and supplies granted to Her Majesty by the parliament of Canada, are the sole gift of the House of Commons—

Mr. Speaker, I do not think I have to go into detail to explain for the benefit of the hon. member the meaning of the words "sole gift of the House of Commons".

Mr. McIlraith: That is elementary.

Mr. Browne (St. John's West): Standing order 63 then continues as follows:

—and all bills for granting such aids and supplies ought to begin with the house—

This bill began with the house. The standing order then continues:

—as it is the undoubted right of the house to direct, limit, and appoint in all such bills, the ends, purposes, considerations, conditions—

What is the condition here? The condition here is that it shall be decided by the minister, whose decision shall be final.

Some hon. Members: Oh, oh.

Mr. Browne (St. John's West): Hon. members opposite do not agree with me.

Mr. Pearson: That is the way all tyrants begin.

Mr. Fleming (Eglinton): You should know.

Mr. Browne (St. John's West): What meaning does the Leader of the Opposition ascribe to the words "limitations and qualifications of such grants which are not alterable by the Senate"? If they are not alterable by the Senate then the Senate has no power to alter them. Has the Senate altered them in this instance? Yes; for we have before us today an amendment which is in essence an alteration of the bill granting aids and supplies to Her Majesty. No one can question the fact that a bill dealing with customs tariffs is a bill granting aids and supplies to Her Majesty.

The hon. member for Ottawa West is probably as familiar as anyone in this house with the fact that the Customs Tariff involves hundreds of items and deals practically entirely with the collection of taxes through customs and exise and by other means. Therefore, the amendment to this bill is precisely that which is not allowable because this is a bill which is not alterable by the Senate.

The question which we are concerned with is not merely a question of whether a right is being refused to taxpayers to prevent them from appealing a decision of the minister to the tariff board but is a question as to whether we are going to acquiesce in an amendment by the other place which it has no right to make. That is the real question before us today.

If the hon. member for Bonavista-Twillingate and the hon. member for Ottawa West think that this is a bill dealing with taxation, and I believe they are right, they must also agree that it is unalterable by the Senate. The hon. member for Ottawa West believes

that it is a taxation bill because, to use his own words as I wrote them down—

Mr. McIlraith: I think perhaps I can help the minister. The point I made was that the bill in toto is not before us but only the amendment dealing with the right of appeal.

Mr. Browne (St. John's West): I beg your pardon?

Mr. McIlraith: I suggested that it was only the amendment to the bill that was before us and argued that the whole bill was not now before us.

Mr. Browne (St. John's West): The hon. member also stated that this was something affecting the taxpayers. I suggest if it affects the taxpayers it does so in respect to a matter of taxation; that is, taxes they must pay. I think the hon. member will agree with that, because if there is any complaint on the part of taxpayers it has to do with the taxes which they must pay being unfair and they, therefore, want to appeal to the tariff board to make it right. That being correct, there is no doubt, using the hon. member's own argument, that this bill deals with taxation. I think it is unnecessary for me to argue any further along that line.

To reinforce my suggestion that this is not unusual, I point out that there are hundreds of provisions in public statutes granting to ministers discretionary powers more or less of this type.

Mr. Pearson: No.

Mr. Browne (St. John's West): The hon. member for Bonavista-Twillingate was the minister for citizenship and immigration for three or four years and I am sure that no one knows better than he the discretionary powers he possessed while acting in that capacity. The hon. member for Ottawa West, who was the parliamentary assistant to the minister of defence production, knows full well the powers that the minister of defence production possesses. Who in this country has ever possessed greater powers than the late Right Hon. C. D. Howe?

Mr. Deschatelets: Are you arguing against that?

Mr. Browne (St. John's West): No, no, the hon. member does not follow my argument.

Mr. Deschatelets: Oh, yes, I do.

Mr. Browne (St. John's West): I should like to point out—

Mr. Chevrier: It is not even an argument.

[Mr. Browne (St. John's West).]

Mr. Browne (St. John's West): The hon. member for Laurier (Mr. Chevrier) says this is not even an argument, the fact that many ministers have discretionary powers.

Mr. Chevrier: I was referring to your speech as a whole as not being even an argument.

Mr. Browne (St. John's West): I suppose when the hon. member for Laurier was the minister of transport he had many powers which he could exercise and did exercise without there being granted any right of appeal from his decisions.

Mr. Chevrier: I do not know of any.

Mr. Browne (St. John's West): Certainly the Minister of National Revenue (Mr. Nowlan) under the Customs Act and the Customs Tariff Act has many other powers apart from this one given by this bill from which there is no appeal.

Mr. Lambert: There are 64.

Mr. Browne (St. John's West): I am informed by the parliamentary secretary to the Minister of National Revenue that there are 64 different powers which have been in existence from which there is no appeal.

Mr. Pearson: Would the minister permit a question? Is the logic of his argument that whenever possible we should reduce and take away these rights of appeal just because there are 64 instances which exist where there is no right of appeal?

Mr. Browne (St. John's West): No, that is not my argument.

Mr. Chevrier: Well, what is your argument.

Mr. Browne (St. John's West): I am trying to point out some of the inconsistencies in the arguments presented by hon. members of the official opposition. I am attempting to show that we are not doing something quite original and out of keeping with the history of this country as has been suggested by those hon. members. No one knows better than those hon. gentlemen who were members of the previous ministry, that these powers have existed, because some of them and their colleagues exercised these powers when they held office.

Mr. Pearson: Is that your excuse?

Mr. Browne (St. John's West): No, sir. The Leader of the Opposition knows very well that no one would attempt to alter all the powers and discretions that are given to various ministers, some of which are very necessary for the administration of the country. That is the reason this amendment was put into the Customs Tariff. That is, it is considered necessary at this time.

Mr. Pearson: But the right of appeal existed for years.

Mr. Browne (St. John's West): The House of Commons saw fit to pass this bill and the members of the other place felt they had the power to alter it.

Mr. Pearson: No, the power to put back the right of appeal.

Mr. Browne (St. John's West): The House of Commons is now being asked whether the other place has the right to alter it and whether this house is going to maintain the rights and privileges, as well as duties, established as part of the constitution of this House of Commons and, therefore, of this country, in 1867 as contained in standing order 63.

Mr. Pickersgill: Mr. Speaker, I rise because I feel that the Solicitor General (Mr. Browne), and I am sure not intentionally, misrepresented what I said. I have the words I actually used and feel that I should be permitted under the rules to set the record straight.

The Solicitor General gave the impression that I suggested that the amendment we are now considering was in itself a taxing statute. What I said was that this whole bill was a normal taxing statute. I continued, and these are the precise words I used, to say that there are sharp differences in the house about whether this bill is even good for the state, but that is not at issue, as Your Honour properly pointed out. We are not concerned now with whether or not this taxing statute in itself shall prevail because it is going to prevail. We are concerned with whether or not, in the interpretation of this measure, the determination of what articles shall be taxable, and at what rates, shall be done in the open with a right of appeal such as has existed for a long time, or whether that right shall, in defiance of the bill of rights, be taken away. That seems to be the sole issue here.

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, it is not my intention to indulge in any technical or legal hairsplitting on this issue. We in this group simply oppose this issue on the basis of what is in the best interest of the people. I am a simple country man searching for the truth in the dense political fog which has been created by repeated government errors in recent days. I rise to express our opposition to this very unique and, I would say, unusual resolution, and to express our concern over the unreasonable things that have occurred in recent days.

The second paragraph of this resolution simply diverts attention from the principle of an appeal on, from our point of view, a very trivial basis indeed.

I listened with interest, as I always do, to the orchidaceous rhetoric of the Prime Minister and the speech delivered in such a dramatic manner which made us all feel as though there was a crisis in it. Anyway, it was obvious from the Prime Minister's remarks that he has clearly indicated he refuses to accept the amendment proposed by the Senate that restores the right of appeal to the Canadian people from the decision of a minister or of officials. We think that right of appeal is fundamental. It has been mentioned on a number of occasions by the spokesmen of the official opposition and by the members of this group. In our opinion on this occasion the Senate has performed a service for the Canadian people. Hon. gentlemen of the other place have protected the rights of the Canadian people in, shall I say, taking this second look and finding out the weaknesses in the legislation that was sent over to their house. That legislation received a great deal of attention in this house. Fears were expressed during the rather lengthy and at times heated debate that this was a wrong principle to establish in legislation and the Senate has vindicated that opinion as expressed by a good number of members of the opposition during that debate.

I judge from the Prime Minister's remarks that he challenges the house to oppose his will. This is the way I take it. From the very emphasis he used and the dramatic way in which he brought the matter to the attention of the house there was no question but that he challenges the house to oppose him. I did not sense in his speech the question of a great principle. The Prime Minister challenged the house to oppose his will. You could see all the power vested in the Prime Minister and all the determination of one self-willed man to impose his will on this House of Commons. Members of this group accept this challenge and welcome an immediate appeal to the highest court of the land, which is the people.

An hon. Member: Let's go home and settle this problem.

Some hon. Members: Hear, hear.

Mr. Speaker: Order. The election is not going to be held today.

Mr. Herridge: I am distinctly under that impression, Mr. Speaker, and possibly not next month. The Prime Minister blows this thing up as a great issue. You could see in his attitude and in his remarks that he thought to himself, now, I have got something that

will befog the minds of the Canadian people. This is an issue; this is a smokescreen; this is something I can take pleasure in presenting. I can see him rampaging around the country talking about the members of the opposition disregarding the rights of parliament.

Mr. Ricard: True.

Mr. Herridge: We must not forget, Mr. Speaker, that no one was more vociferous in days past with respect to reform of the Senate and no one has said less since he was elected to office with respect to the suggested reform of the Senate than the Prime Minister. This is not a major issue. What are the issues in this country if the government should go to the country?

Mr. Speaker: Order. I hope the hon. member is not going to answer his own question because it would be out of order.

Mr. Herridge: I am using a counter-argument as against this being the issue. In doing so I think I must propose what are the issues.

Mr. Drysdale: Let us keep on one side of the case.

Mr. Herridge: The issues are not this one. The issues are unemployment, markets, health insurance, security and justice for old persons. I am sure, Mr. Speaker, if the Prime Minister wishes to go to the country at this time the Canadian people will not be misled by the presentation of what is obviously an expedient, a manufactured and synthetic issue. Therefore we on this side of the house, say, let the people decide now.

Mr. Fleming (Eglinton): Mr. Speaker,—

Mr. Speaker: I must inform the house if the minister speaks now he will close the debate.

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, this debate has exemplified on the part of the opposition some quite extraordinary features but they are quite obvious, and I shall not detain the house long in speaking of them.

Hon. members must have been conscious of a curdling of their blood here today, Mr. Speaker, as they listened to the hon. member for Bonavista-Twillingate tell them that the day of freedom had passed and we are now under the rule of tyranny. The hon. member for Kootenay West was just talking about blowing something up into a great issue. If there was any blowing up done in this house it was done by the hon. member for Bonavista-Twillingate in what he had to say about the effects of this measure. He was talking about the danger of the bill in question if passed, without the benefit of the amendment introduced by the Senate. This house has dealt with this matter, Mr. Speaker. It was before the house on nine different days of the present session. On April 18 the house gave this bill second reading without amendment by a vote of 141 to 34, and on April 19 the measure was passed on third reading on division, a division not called by the Liberals but by the hon. member for Assiniboia. He called out "on division" and that is the only record there is of a division of opinion in the house on the third reading of the bill.

But the hon. member for Bonavista-Twillingate curdled our blood by talking about "dark deeds in dark places". Well, I think his following comments indicated that probably he knew more about the subject of dark deeds in dark places than any other member of this house. What are those dark deeds which he fears, Mr. Speaker, as a result of the enactment of this measure without the Senate amendment? Without traversing ground that is already so familiar, may I say that this measure simply follows well established precedents in this house. Hon. members opposite were not lying awake at nights as they dreamed about the loss of freedom when they were in power. Is freedom passing in the United Kingdom?

Mr. Martin (Essex East): It is passing here.

Mr. Fleming (Eglinton): Is tyranny overcoming freedom there, Mr. Speaker? I have already drawn to the attention of the house that under similar legislation of the United Kingdom power is given to the treasury in just such cases without any right of appeal. Here are the notes issued by the board of trade and commissioners of customs and excise under the Import Duties Act. This is the official note:

> Under the Import Duties Act, 1958, protective duties are normally chargeable on imported machinery in order to protect United Kingdom machinery manufacturers.

And then they say this about duty free admission:

> Section 6 of the 1958 act and paragraph 1(b) of the fourth schedule thereto provide that the treasury may, on the recommendation of the board of trade, direct that payment shall not be required of any duty chargeable under section 1 of the 1958 act on particular importations of machinery,—

Some exceptions are set out and then the following words appear:

> —if similar articles are not for the time being procurable in the United Kingdom.

The decision in that matter is not subject to appeal. It is a decision made by the treasury.

Further on in this document, Mr. Speaker, we find the following:

> The similarity of machines for the purposes of compliance with the statutory condition referred to in paragraph 1(b) is judged primarily in relation

to the product or effect and the efficiency with which it is produced. The appearance, size, shape, method of producing the given product or effect and the cost of machines are not regarded as relevant. To justify a recommendation for remission of the protective duty, it must be shown that the foreign machine has a definite and marked superiority in performance over any comparable machine procurable in the United Kingdom.

Those, Mr. Speaker, are decisions made by the treasury of the United Kingdom, just as decisions under this measure are to be made by the minister of national revenue. This is described as ushering in the rule of tyranny. Well, Mr. Speaker, if any hon. member's judgment has gone so completely astray, has turned to such irrational lengths then he must, if he is to be consistent, say that tyranny has come in the United Kingdom.

Hon. members opposite do so much dislike to be reminded that there are in this country statutes, most of which were enacted in the days when hon. members opposite were in the government, conferring upon ministers and particularly upon the minister of national revenue just such necessary powers as this present bill proposes to confer upon the minister, and without appeal. These are powers without appeal.

I hold in my hand a list of these statutory measures, measures passed by this parliament conferring upon, in this case the minister of national revenue, powers by the dozens that are not subject to appeal, and practically all these statutes were enacted when a Liberal government was in power. Here they are, Mr. Speaker: The first is the Customs Act, and here we have amendments running back over these recent years. They read: the minister may prescribe; the minister may prescribe; the minister may determine value. Here, we are back in 1921 and we find that the minister may revoke a custom house broker's licence; 1951, the minister may appoint a commissioner, and so on it goes. In 1927 we find this: the minister may make regulations.

Then, there is the Customs Tariff, the statute which is now being amended; in 1948, the minister may determine the tariff or surtax; 1948, the minister may authorize collections of special duties; 1931, the minister may dispose of prohibited goods; 1950, the minister may apply specific duties to fruits and vegetables; 1931, the minister may make marking regulations.

Here is the Excise Act, and in 1934, the minister may refuse to issue a licence; 1934, the minister may prescribe; 1934, the minister may refuse a licence; 1948, the minister may require additional data, and so on it goes, the minister may prescribe; the minister may revoke penalties. Throughout all these statutes, there is no right of appeal. Practically every one of these powers was conferred by parliament on the minister of national revenue when a Liberal government was in office. Are they going to say that there was a crisis in every year when these statutes were passed by parliament conferring these powers upon the minister without appeal? I suppose it is futile to look for anything in the way of rational argument or consistency on the part of hon. members opposite.

Let hon. members recall what happened in 1947. These great apostles of freedom, these defenders of parliament, who are they, Mr. Speaker? They are the people who in November, 1947, did not even wait for parliament to be called but announced the budget over the radio and proceeded to impose tariff embargoes and other imposts by radio without parliament even being in session. The Leader of the Opposition was not then a member of the government. However, the hon. member for Laurier was a member of that government, as was the hon. member for Essex East. The hon. member for Bonavista-Twillingate was then serving in his other political capacity as secretary of the cabinet, and was doing things in secret, as we were told this morning.

Mr. Pickersgill: I am sure the minister does not wish to be inaccurate. I was not the secretary of the cabinet at that time.

Mr. Fleming (Eglinton): I apologize for having advanced the hon. member prematurely. He had not even got that far at that time.

In 1947, they proceeded to apply licences. They cut off a lot of imports, just by order in council, and in many cases nobody was permitted to import except under licence. Of course, the power to issue a licence was conferred upon the minister. Yes, Mr. Speaker, the kind of conferment of power that they view now with such stricken horror was conferred at that time upon the minister of finance. Was there any right of appeal provided from the decision of the minister of finance? There was not. Here, in case after case we have a measure applicable not simply to a handful of commodities but literally hundreds and hundreds of commodities, and there was no right to import except where the minister, in his sole discretion, directed that a permit might be granted. We are asked now to take seriously these roars and thunders from hon. members opposite in their hollow pretence that now the foundations of freedom are being shaken by this measure because it does not provide that in three simple respects in which it is so appropriate, proper and necessary that a decision be made by the minister, there is being provided no right of appeal to the tariff board. Did you ever

hear a more hollow presentation than was made today by hon. members opposite on this subject?

Then, in 1948, parliament passed the Emergency Exchange Conservation Act. It received assent on March 24, 1948. Here we find a Liberal government asking parliament to confer on a minister powers like these. Section 3: The minister may issue, vary or revoke permits for the import of such goods. Was there a right of appeal? No, there was not. Section 4 says that no permit shall be issued for the import of goods listed in schedule I, unless in the opinion of the minister, etc. Was there any right of appeal from the decision of the minister? No, there was not. Freedom must have been tottering that day, Mr. Speaker.

Then, section 6 states that, subject to this act and the regulations the minister may (a) prescribe the procedure, (b) prescribe the forms, and do all kinds of things such as (d) authorize persons in his behalf to do things. Was any right of appeal provided there? No, there was no right of appeal.

Let us look at section 12 and compare that with these protestations of hon. members opposite of their undying fidelity to the principles of the bill of rights. Section 12 provides that:

> "Where a person is charged with an offence under this act, if it is established that the said person did any act for which a permit is required under this act, it shall not be necessary to establish that the person charged did not possess a permit and the burden of proof that he possessed the necessary permit shall be upon the person charged."

Well, freedom must have been shaken to its foundations that day.

Perhaps I have said enough on this subject. I pass from my comments on this aspect of the matter, Mr. Speaker, only for the purpose of reading one out of many comments that might be chosen at this point. I quote:

> The budget proposals changing definitions of "made in Canada" will permit the manufacture here of many products now imported and will give our manufacturers a better relative position against foreign competition.

This sounds like a very sensible and fair observation as to the effect of this measure. It is interesting to know who says this. This statement appears, if you please, in a pamphlet issued by the North American Fund of Canada Limited and it is entitled, "Annual Report to Shareholders, December 31, 1960". You will observe that this annual report was issued very shortly after the introduction of the supplementary budget. Then, we find a message to the shareholders signed by the chairman and president, and it is this message to the shareholders from which I have read this particular extract. But, Mr. Speaker, if you are interested further and happen to turn the page you would see, under the list of officers and directors, that among those is "A. Bruce Matthews, vice-president and director". Mr. Matthews is a very distinguished citizen and a former president of the national Liberal federation. But, Mr. Speaker, I hope you would not stop your reading there because if you were interested to go a little further and happened to read the names appearing under the list of other directors you would find there, to your shocked amazement I am sure, the name "Hon. Lionel Chevrier, Member of Parliament".

Mr. Chevrier: Thanks for the advertisement.

An hon. Member: Look and see how he blushes now.

Mr. Chevrier: Not in the least.

Mr. Fleming (Eglinton): Mr. Speaker, I turn to the other point. I was not a little surprised to hear hon. members opposite in both the old and new wings of the opposition say what they said today in relation to the fact that the amendment before us was proposed by the Senate. If one had reached the point of looking for nothing resembling consistency on the part of hon. members opposite, then, of course, there would be no occasion for surprise. But as to those who think hon. members of this house made in 1959 bold statements of their principles and positions on such matters, surely we are entitled to be somewhat surprised when they take a complete somersault in July, 1961.

Mr. Speaker, this is a money bill. It is a money bill under every definition of the rule respecting the prerogatives of the House of Commons in such matters. This is a money bill within the meaning of rule 63 of the standing orders of this house. This is a money bill within all of the declarations in relation to the prerogatives of this house in such matters.

We shall not be lightly misled, I am sure, in this house by the suggestion that was made, I believe by the hon. member for Ottawa West, that there was something different about the bill in 1959, on which this house took a stand in relation to this principle. I say again that in relation to this principle there is no difference whatsoever between the issue that was presented to this house in July, 1959, and the issue that is presented to it today by this Senate amendment.

Mr. Benidickson: May I ask a question?

Mr. Fleming (Eglinton): Yes.

Mr. Benidickson: On July 18, 1959, having regard to what is recorded in the *Votes and Proceedings* of this House of Commons and the minister's remarks on that day recorded in *Hansard*, will the minister not say that there was involved there an important difference in the ways and means in regard to the income of the crown and the taxation right of the crown on a taxpayer?

Mr. Fleming (Eglinton): I say certainly not, Mr. Speaker. There is no difference whatsoever in relation to the principle at stake on this amendment today. What we had before us then was a bill to amend the Income Tax Act; and, as I pointed out this morning, the amendment did not relate to any clause respecting a rate of taxation; not at all.

Mr. Benidickson: No; to an imposition or not on a taxpayer.

Mr. Fleming (Eglinton): It was an amendment about closing a particular class that was created by one section of the bill which did not for this purpose name rates. This was a question of closing a class of corporation and of saying that no more corporations should be permitted to qualify for that particular treatment. Was that any more of a money bill than the one we have before us today? Of course it was not, Mr. Speaker. The thing that determines what is a money bill or determines the application of the principle here involved to the amendment, is whether the main bill is in its nature a taxing statute. Does it relate to money? Is it a fiscal measure? Does it bring into effect any question pertaining to the balance of ways and means? You have these determinations, Mr. Speaker, that it is not simply appropriation acts or simply estimates that are deemed to be money bills of this house for that purpose. It is the taxing statutes, measures like the Income Tax Act as in 1959 or the Estate Tax Act as in 1958. These are money measures for this purpose; and bills to amend such statutes, are money bills and there can be no escape from that fundamental position. It is a well established position in the jurisprudence of this house.

Mr. Peters: Try to sell that somewhere else.

Mr. Fleming (Eglinton): I will come to hon. members opposite in a moment. What did we find in July, 1959? Mr. Speaker, when we dealt with this subject on July 18, 1959, it fell to my lot to present to the house an amendment similar in certain respects to the one now under debate or at least a message to the Senate similar to the one now under debate. There were more clauses. The third one contains these words:

> The said amendment of the Senate infringes the sole and undoubted right of the Commons to impose taxation; it alters the application of taxes and interferes with the public revenue.

Mr. Benidickson: But this one does not involve a change in revenues.

Mr. Fleming (Eglinton): That was adopted by this house on July 18, 1959. What was said on that occasion? Both on that occasion in my own remarks and in the remarks of other hon. members on that occasion reference was made to some of the great statements of the past. In his speech on July 14, the Prime Minister had occasion to refer to remarks made in this house by some of the leading authorities of earlier years. He drew attention to what had been said on September 7, 1917. Here is what the Speaker of that day said:

> On a previous occasion when this motion was under consideration, two points of order were taken by the hon. the leader of the opposition, (1) that the Senate has no power to amend a money bill, and, (2) if the Senate makes such an amendment, in view of rule 78, the house is bound to insist on its privileges and reject the amendment.

The leader of the opposition who is referred to by the Speaker in this passage is none other than Sir Wilfrid Laurier. The Speaker proceeds:

> As to the first point, it is beyond question that, in view of section 53 of the British North America Act, bills appropriating any part of the public revenue or for imposing any tax or impost must originate in the House of Commons; and there is no doubt that the Senate has neither power to increase the tax or impost nor to change the incidence of the burden of any such tax or impost in any such bill originating in this house;—

And so on.

Mr. Benidickson: May I ask a question?

Mr. Fleming (Eglinton): I will accept questions when I have finished if the hon. member does not mind.

Mr. Benidickson: Very well.

Mr. Fleming (Eglinton): Then further, the Speaker had something to say and Sir Wilfrid Laurier commented on the ruling of the Speaker, and asked that the remarks of the Speaker be not simply a matter of record but should be made a part of the decision of the house. That was the doctrine that was honoured by the Liberal party. In bygone years my predecessor, Mr. Ilsley, was very punctilious in his insistence on the prerogatives of the House of Commons in this matter. In 1941 when the house agreed to accept an amendment he was very careful to insist that the following should be made a part of the decision of the house. He moved:

> That the said amendment be now read the second time and concurred in; but that this house, while disapproving of any infraction of its privileges or rights by the other house, in this case waives its claims to insist upon such rights and privileges but the waiver of such rights and privileges is not to be drawn into a precedent; and, further, that this house agrees to the incorporation in this bill—

Et cetera. Mr. Ilsley was very careful to insist upon that assertion of the rights of the house.

We come along to July 18, 1959. As to the nature of the measure, I simply observe that it was a measure comparable in all respects, for this purpose, with what we have before us today.

Mr. Benidickson: Will the minister read *Votes and Proceedings* of that day at page 750?

Mr. Fleming (Eglinton): These are the words of Sir Wilfrid Laurier on September 7, 1917. This is the great voice of liberalism, Sir Wilfrid Laurier; not the hollow voices of the liberalism of 1961. He said, as quoted on page 6402 of *Hansard*:

It is a well-known principle that the upper chamber can reject any bill, even though it deals with financial matters, that has been passed by this house. The Senate can reject the supply bill; it can reject a bill adopted by the committee of ways and means of this house, but it cannot amend such bills.

This principle has been affirmed over and over again. Mr. Speaker, can you find a clearer statement anywhere? That was the great voice of liberalism in 1917, but that voice has been forgotten; it is not heard today by hon. members opposite over the clamour and roar of lesser voices. On that occasion the Leader of the Opposition (Mr. Pearson) chose to make some remarks following those which it had been my honour to make. They appear on the same page. He almost went so far as to congratulate the government for the strong stand it had taken in rejecting the amendment proposed by the Senate. He said:

We are therefore naturally gratified that the government has taken this position and we will support it.

That was the Leader of the Opposition on July 18, 1959, Mr. Speaker. I do remember, when that address to the Senate was adopted unanimously that day, the congratulations that were extended to the government by hon. members of the C.C.F. party. I can well remember the spirited applause that some of them extended to the government because we would not yield or compromise on this principle that the Senate cannot amend a money bill.

I was shocked today to hear the hon. member for Burnaby-Coquitlam (Mr. Regier) making compromise with the principles of the past. I was more shocked by the hon. member for Kootenay West (Mr. Herridge), for whom many of us in this house have great respect, this afternoon making compromise with a sound and well established principle.

[Mr. Fleming (Eglinton).]

These hon. members have been greatly misled since the days when they took their stand on principle in 1959.

Mr. Deschatelets: Let us go to the people with it.

Mr. Fleming (Eglinton): Mr. Speaker, this points to the sorry departure of hon. members opposite from the positions they were prepared to take when they were on sound ground and stood on principles. Do not take my word for this principle—

Mr. Martin (Timmins): You are right.

Mr. Fleming (Eglinton): —on which the C.C.F. stood, Mr. Speaker. Here are the words of the hon. member for Assiniboia (Mr. Argue), then the leader of the C.C.F. party. I quote from page 5980 of *Hansard* of July 14. Here he was chastising the Liberal party in this house for the weakness of its position on this question. He said:

I do not think we can emphasize too strongly that with regard to money bills it should be the sole right of the House of Commons not only to originate them but in fact to have them passed in their original form.

Mr. Benidickson: But there is no money involved in this amendment.

Mr. Fleming (Eglinton: That was the hon. member for Assiniboia in 1959, standing on principle. Today we have the hon. member for Burnaby-Coquitlam and the hon. member for Kootenay West leading themselves, and we do not know yet how many others, into error because they are prepared under these circumstances to depart from a sound principle. Mr. Speaker, the government stands on the principle that the Senate cannot amend money bills.

Mr. Denis: Give us an election on that.

Mr. Benidickson: Mr. Speaker, I wish to direct a question to the Minister of Finance. In two speeches the Minister of Finance has indicated that he—

Some hon. Members: Question.

Mr. Martin (Essex East): Let him put the question.

Mr. Benidickson: May I ask a question?

Some hon. Members: Question.

Mr. Benidickson: The Minister of Finance has referred to the debate on July 18, 1959 which he gives as a precedent on this question. He says the conflict between the House of Commons and the Senate at that time was similar to that presented to us today. I wish to direct—

Mr. Starr: Question.

Mr. Habel: A "starred" question?

Mr. Benidickson: I wish to ask the Minister of Finance this question. The minister said today that the exemption of foreign corporations did not involve a change in revenues and therefore we had there a proposal from the Senate which did not in any way involve a change in revenues. I wonder whether the minister has read what he said at that time.

Mr. Fleming (Eglinton): Precisely, Mr. Speaker. This is what I said on July 18. It is to be found in *Hansard* at page 6401. Here I was speaking about the amendment that was then being debated:

> It was made clear that this clause 19 was not introduced into the bill with the object in view of enlarging the revenues. It was introduced with a view to abridging what was regarded as a discrimination or favoured position enjoyed by foreign business corporations under the Income Tax Act here. In the light of the views expressed in the house, the government is pleased to reaffirm, re-emphasize and reassert the principle that money bills passed by this house may not be amended in the other place.

Mr. Pickersgill: Mr. Speaker, I wonder whether the hon. gentleman would permit me to ask him one short question. Was the final determination by the Minister of National Revenue (Mr. Nowlan) introduced into this bill for the purpose of enlarging the revenues?

Mr. Fleming (Eglinton): This amendment was introduced—that is, the whole bill we are speaking of now—

Mr. Pickersgill: Answer my question.

Mr. Fleming (Eglinton): —for the purpose of changing a definition in the act which has a bearing upon the interpretation of some 75 items in the Customs Tariff. This has been made clear. Hon. members opposite, in the nine days this measure was before the house this session, kept telling us that this gave the minister power to determine rates, rates of customs tariff, and now they are shilly-shallying and pretending that this has no resemblance to a money bill.

Mr. Pickersgill: Would the minister answer my question?

Some hon. Members: Question.

Mr. Pickersgill: More evasion.

The house divided on the motion (Mr. Fleming, Eglinton) which was agreed to on the following division:

Divisions

YEAS

Messrs:

Aiken
Allard
Allmark
Balcer
Baldwin
Barrington
Baskin
Beech
Bell (Carleton)
Belzile
Bourbonnais
Broome
Browne (St. John's West)
Browne (Vancouver-Kingsway)
Brunsden
Campbell (Lambton-Kent)
Campbell (Stormont)
Campeau
Casselman, Mrs.
Cathers
Chambers
Charlton
Chatterton
Churchill
Coates
Comtois
Cooper
Crouse
Danforth
Deschambault
Diefenbaker
Dinsdale
Drouin
Drysdale
Dubois
English
Fairclough, Mrs.
Fane
Fleming (Eglinton)
Flemming (Royal)
Forbes
Fournier
Frechette
Green
Grenier
Grills
Gundlock
Hales
Halpenny
Hamilton (Qu'Appelle)
Hanbidge
Harkness
Hees
Hicks
Horner (The Battlefords)
Howe
Jorgenson
Jung
Keays
Kindt
Knowles
Korchinski
Lafreniere
Lahaye
Lambert
Legere
Letourneau
Macdonald, Mrs.
MacLean (Queens)
MacLean (Winnipeg North Centre)
MacLellan
Macquarrie
MacRae
McBain
McCleave
McFarlane
McGee
McGrath
McPhillips
Martel
Martineau
Martini
Matthews
Monteith (Perth)
Monteith (Verdun)
More
Morissette
Morton
Muir (Cape Breton North and Victoria)
Muir (Lisgar)
Nasserden
Nesbitt
Nugent
O'Hurley
O'Leary
Pascoe
Paul
Phillips
Pigeon
Rapp
Regnier
Ricard
Richard (Kamouraska)
Rogers
Rompre
Rynard
Sevigny
Skoreyko
Small
Smith (Lincoln)
Smith (Simcoe North)
Smith (Winnipeg North)
Southam
Speakman
Spencer
Starr
Stearns
Stefanson
Stewart
Stinson
Tassé
Thomas
Thompson
Thrasher
Tremblay
Valade
Villeneuve
Walker
Webb
Webster
Weichel
White
Winkler
Wratten—134.

NAYS

Messrs:

Badanai
Batten
Benidickson
Boulanger
Bourget
Cardin
Caron
Chevrier
Clermont
Denis
Deschatelets
Eudes
Fisher
Forgie
Garland
Habel
Herridge
Howard
LaMarsh, Miss
Leduc
Lessard
Loiselle

Macnaughton	Peters
McIlraith	Pickersgill
McMillan	Regier
McWilliam	Richard (Ottawa East)
Martin (Essex East)	Roberge
Martin (Timmins)	Robichaud
Matheson	Tardif
Mitchell	Tucker—39.
Pearson	

CANADIAN NATIONAL RAILWAYS

PROVISION FOR CAPITAL EXPENDITURES, ISSUE OF SECURITIES, ETC.

Hon. Donald M. Fleming (Minister of Finance) moved that the house go into committee to consider the following resolution:

That it is expedient to bring in a measure to authorize the Canadian National Railway Company to make capital expenditures in the year 1961 not exceeding $178,900,000 and to make certain capital expenditures and enter into certain contracts prior to July 1, 1962; to authorize the national company to issue securities to provide amounts required for the authorized expenditures; to provide that, except as expressly provided, the aggregate principal amount of securities outstanding at any time shall not exceed $76,800,000; to authorize the governor in council to guarantee the principal and interest of securities issued by the company for the purpose aforesaid; to authorize the Minister of Finance to make loans to the said company secured by such securities and not exceeding $76,800,000 in principal amount to enable the said company to meet such expenditures and with authority to give financial aid and assistance to other companies of the national system; and to provide further in respect of the refunding of matured, maturing and callable obligations of the said company, for the issue of securities guaranteed by the Dominion of Canada, to an aggregate principal amount not exceeding $230,000,000 in lieu of the present amount of $200,000,000.

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

Mr. Fleming (Eglinton): Mr. Chairman, the resolution now presented is that which annually precedes the introduction of the Canadian National Railways Financing and Guarantee Act. In accordance with the practice followed since 1952, the 1961 act will again include the financing of all capital expenditures whether authorized in the current year's act or in earlier financing and guarantee acts.

The bill is intended to accomplish six main purposes. The first is to authorize the Canadian National Railways to incur capital expenditures not exceeding $178,900,000 during the 1961 calendar year.

The second is to authorize the company to make, prior to July 1, 1962, such capital expenditures as may be necessary to discharge obligations incurred under the 1961 act, but which become due for payment after January 1, 1962, as long as these expenditures do not exceed $76 million.

The third purpose served by the bill is to authorize the railway company to enter into contracts prior to July 1, 1962, for new equipment and for general additions and conversions where payment will come due after the calendar year 1961, provided that such amounts do not exceed $44 million.

In addition to these three purposes, all of which are similar to those of previous years' acts it is necessary this year to introduce three new provisions pending a review of the Canadian National Railways capital structure. As I announced in the house last year during the debate on the financing and guarantee act, 1960, the government had intended to proceed with the re-examination and, if necessary, revision of the capital structure of the railway company prior to December 31, 1961. However, since the complete report of the royal commission on transportation has not yet been received it was considered advisable to make provision in the 1961 act for a one-year extension of the present capital structure. As the president of the C.N.R. indicated in the recent hearings before the sessional committee on railways, air lines and shipping, the capital structure is at present under study. This review will be continued in the light of the complete report of the royal commission once it has been received.

Consequently, the bill provides for the continued purchase by the Minister of Finance of Canadian National Railway 4 per cent preferred stock through to the end of the calendar year 1962. Hon. members will recall that the 1960 financing and guarantee act extended to December 31, 1961 the expiry date of the authority granted by the Canadian National Railways Capital Revision Act for the purchase of such stock up to the limit of 3 per cent of the company's gross revenue. The 1961 act will extend this expiry date by a further year.

The bill also will extend by one year, to December 31, 1962, the moratorium on interest on the government loan of $100 million to the railway company authorized by the capital revision act, 1952.

Finally, the bill will contain a new section to increase to $230 million the limitation in the Canadian National Railways Refunding Act, 1955, placed on the authority to refund maturing or matured securities of the railway company. The limit is at present $200 million and it is necessary to increase this limit to allow the refunding of securities of the company maturing during the currency of the 1961 financing and guarantee act and pending the review of the capital structure.

The financing, either by means of the issue of new securities by the government of Canada or by way of direct loan, which parliament is being asked to approve, is an

amount not to exceed $76,800,000. I would ask permission at this time to place on *Hansard* for the convenience of hon. members a table giving details of this amount.

The Chairman: Does the committee grant leave to have this table printed in *Hansard* at this point?

Some hon. Members: Agreed.

[*Editor's Note: The table referred to above follows:*]

The amount of $76,800,000 appearing in clauses 4(3) and 6(2) is computed as follows:

Road property		$122,735,000	
Branch line construction		14,599,000	
Hotels		1,732,000	
Equipment		14,212,000	
Investment in affiliated companies:			
Trans-Canada Air Lines financial requirements	$19,700,000		
Others	5,922,000		
		25,622,000	$178,900,000
Less:			
Uncompleted work			16,000,000
			162,900,000
Add:			
Interim financing authority January 1 to June 30, 1962, on obligations incurred prior to January 1, 1962			76,000,000
			238,900,000
Less:			
Depreciation accruals and amortization of discount on funded debt, etc., in relation to calendar year 1961		108,100,000	
Depreciation accruals and amortization of discount on funded debt, etc., in relation to period January 1 to June 30, 1962		54,000,000	
			162,100,000
			$ 76,800,000

Mr. Fleming (Eglinton): As in previous years, the bill provides authority to make temporary loans to the Canadian National Railways and Trans-Canada Air Lines to meet deficiencies in operating revenues up to June 30, 1962. As hon. members are aware, these loans to the two companies on income deficit account are of a temporary nature to meet deficiencies in revenue which regularly occur in the early part of each calendar year and are repaid later in the year either from revenues or, if these are insufficient, are written off by parliamentary appropriation. For 1961, the railway company has forecast a deficit of $64 million, while the air line is budgeting for a surplus of $500,000.

At present, temporary loans to the railway company in respect of capital expenditures authorized under the 1960 act are outstanding in the total amount of $36,389,212.

Mr. Pearson: I wonder whether the minister can tell the committee before he sits down who is the president of the Canadian National Railways at this moment?

Mr. Fleming (Eglinton): I am surprised the Leader of the Opposition is not aware that Donald Gordon is the president.

Mr. Chevrier: Mr. Chairman, there are a number of points I should like to make in connection with this legislation. In the first place, as the minister has indicated, this is the resolution which precedes the annual bill concerning the financing of Canadian National Railways. As is the custom, this bill is generally brought in after the report of the committee on railways, air lines and other government owned corporations is received. However, such is not the case this year.

I must immediately indicate to the committee the delay on the part of the government in connection with this matter, as in so many other matters. It has been the custom, as the committee knows, to deal with the affairs of Canadian National Railways long before the end of the session. My recollection is that in years previous to 1961, the committee on railways, air lines and shipping has reported much earlier than on this occasion. I believe

they have reported in March and April, but I have no recollection, during the long years I have been in this house, of an occasion when the committee has held its sittings so late and at this time has not brought forward a report.

When the Minister of Finance introduced a similar bill on June 7, 1960, he had this to say as reported at page 4601 of *Hansard*:

It is the custom to introduce this present measure after such a committee has conducted that review of the operations and financing of the Canadian National Railways system and has made its report to the house.

The question I put to the minister, then, is why is the measure being brought in before that committee has made its report?

Mr. Fleming (Eglinton): The hon. member understands that I am not a member of that committee, but I am told the reason the report has not been made is that the chairman is ill. It is hoped the report might be submitted tomorrow morning.

Mr. Chevrier: I am not going to let the minister get away with that statement. While it is true the chairman is ill, there is a deputy chairman of the committee and there always has been a deputy chairman of the committee. The real reason is that the government could not make up its mind as to when it was going to call this committee. The real reason is that the government allowed charges to be made against the president and other officers of Canadian National Railways, and held a debate here for days during which attacks were made on the president, thereby delaying the setting up of this committee. This is the real reason we have not received a report as yet.

The custom which the minister says has been established is not being followed. However, he need not tell the house or tell me that this failure is the result of the illness of the chairman. We all regret his illness. I must say the chairman of the committee has done a magnificent job in trying to maintain order and decorum in the committee. All of us who sit on this side of the house, as well as those sitting on the other side, regret his illness. However, I come back to the point that there is a deputy chairman. There is no reason why this committee could not have been set up much earlier, and therefore had a report before us prior to the introduction of this resolution.

The other point I wish to make is this. Before we vote on this resolution, before we vote these huge sums of money to the Canadian National Railways, we should know who the directors of the railway are going to be. We had a bill introduced into this house some weeks ago increasing the number of directors from seven to 12. Notwithstanding our demands, both prior and since the introduction and passage by this house of that legislation, we have not been able to find out who the president and directors of the Canadian National Railways are. Before we are asked to vote these large sums of money, I think it is an insult to this house not to tell us who these directors are going to be. It is of the essence of good business, good administration, for the shareholders of any corporation to be told who the directors are going to be. After all, we have a right to know what kind of people they are. We have a right to know whether or not the public will have confidence in them. We have a right to know what business experience, and the like, they have. We are not even being given that information, although the bill concerning the directors has been approved by both houses of parliament for many days, if not weeks. I say to you, Mr. Chairman, that we are entitled to obtain this information before we vote these large sums of money.

There is another point which I think should be brought to the attention of the committee. This has to do with one of the subsidiaries of Canadian National Railways, namely Trans-Canada Air Lines. We were told in the committee that it was not possible to discuss certain matters affecting Trans-Canada Air Lines because they were under study by the cabinet. We were told in the committee that these matters had not been determined by the cabinet, were of a highly confidential nature, and so it was possible to discuss them. We respected the statement which was made by the minister because that has been the practice.

Mr. Balcer: I should like to ask the hon. member precisely what matters he is mentioning. I did not ask the committee not to discuss any matters because they were before the cabinet.

Mr. Chevrier: I am referring to the international routes of Canadian Pacific Air Lines and those of Trans-Canada Air Lines, as well as the domestic routes. When we got to the point in committee that we were about to ask questions concerning these matters, we were told that they were sub judice; we were told that they had not been determined by the cabinet and therefore it would not be advisable to discuss them. I, for one, respected that decision. So, I say now—

Mr. Balcer: On a question of privilege—

Mr. Chevrier: There is no question of privilege, but there may be a point of order.

Mr. Balcer: The hon. member says that the committee was told by the minister that the

committee was not to discuss certain matters because they were before the cabinet and therefore were sub judice. I say that, as minister, I did not say that at all. When this subject was raised, I said that these matters were before the cabinet. I did not tell the committee not to discuss these matters, and I did not say they were sub judice. Any member of the committee was free to discuss any matter as long as he wanted.

Mr. Chevrier: The minister has just confirmed what I have said; the minister is not disagreeing with anything that I have said. I am the one who said that the matters were sub judice, but the minister rose and said they were under consideration by the cabinet. He certainly made that statement, and immediately he made that statement it was quite clear that the officers were not going to give any information concerning those routes.

The point I am making now is this. Because of that statement we respected the views that were expressed then and we did not pursue the matter. Certainly, I did not pursue the matter. I say now we have arrived at another stage. Where we require large sums of money, we should be told what the position is in so far as these international routes are concerned. Is that decision going to be withheld from the committee and from the country until such time as the house has adjourned its proceedings or prorogued, for that matter, in view of what the Prime Minister said a little earlier? Then, when this house is no longer sitting will we get, as we have in the past, a statement from the Minister of Transport that here are the matters that were under review and here are the decisions that have been taken?

But the press, however, has given some indication of what is being demanded: first, that on its polar routes from Australasia via Edmonton to Amsterdam, C.P.A. be given the right to come down at London; and next, that it also be given the right to fly Toronto-Montreal by way of London with propeller aircraft. The press has given indication that those are the applications that have been made to the cabinet under the Aeronautics Act. It has been well known for many months that this matter has been under cabinet consideration. When is the cabinet going to hand down its decision? What is the nature of the application?

Before these large sums of money are voted by this House of Commons surely we should be given some indication of (1) what the applications are; (2) what effect they will have on the financial position of T.C.A.; and (3) what the decision is going to be. The same thing applies to the transcontinental air routes now being serviced by both these large corporations which are competing with each other and unquestionably causing each other financial harm. I think the committee again in that field is entitled to know what the position is.

The minister made a statement, unfortunately not in the house, having to do with regional carriers, as he had a perfect right to do; and at least in the field of regional carriers we know what the position is east of Oshawa and Sarnia. For instance, the statement was made that applications had been filed with the air transport board relative to Quebecair, Nordair and Maritime Central air lines and the air transport board handed down its decision with reference to these matters. The minister made a statement and, at least in so far as the regional carriers are concerned, we know where we stand and the air carriers know as well. Not so, however, in the other two fields. Not so, however, in the field of international carriers and in the field of domestic carriers as well.

We also know that since the committee on railways, air lines and shipping owned and operated by the government has been sitting, a team of experts from the Department of Transport have gone to Washington. What have they gone there to do? They have gone there to negotiate with their United States counterparts a renewal of the bilateral air agreement between Canada and the United States. We asked questions of the minister in so far as that matter was concerned and we received very unsatisfactory replies. However, we obtained from the press a statement by a United States delegate that it was difficult to decide on the nature of the demands and the discussions when it was impossible to find out what was in the minds of the Canadians. Of course, I am now paraphrasing a question which I put to the minister on an earlier occasion.

What did the Canadian delegates go to Washington to discuss? I think this House of Commons is entitled to know since we are voting large sums of money for this purpose. Was it to seek additional transborder routes? Was it to obtain additional routes from Montreal to Los Angeles, or from Montreal-Toronto to Miami, for instance? They are routes which we should have had since this government has been in office but which we have not obtained. Is it to offset the loss of routes which this government has granted to foreign countries by the signature of bilateral air agreements with, for instance, Italy, west Germany, France and one other country the name of which escapes me for the moment? I think the committee should be given information on matters of this kind. We have not been able to get it in the house by way of

questioning. We have not been able to get it in the committee. Surely we should be given it on this last occasion which we shall probably have to discuss matters concerning T.C.A. and the C.N.R.

It is a well known fact that Lufthansa, Air France, and Alitalia have fifth freedom rights in Montreal, with onward rights for these foreign air carriers to Los Angeles and to San Francisco and also that B.O.A.C. has fifth freedom rights to land in Toronto, something which our carriers do not possess in these countries. It is quite clear that the United States has given these foreign countries certain rights which Canada does not possess.

Mr. Balcer: Who made the last agreement with the United States? What government did that?

Mr. Chevrier: The minister asks who made the last agreement with the United States. I do not know when the last agreement was made. However, if the minister is referring to agreements which were made when we were in office, let me tell the minister that when we gave a *quid* we got a *quo* in return and we never gave fifth freedom rights without getting from these foreign countries similar fifth freedom rights in return therefor. Not so since this government has been in office. I have not the statements before me now but I put them on *Hansard* last year; and I am only summarizing the position as I can but do on a measure of this character. However, there is no doubt that to west Germany, Italy and one if not two other countries went fifth freedom rights in this country in exchange for third freedom and fourth freedom rights in those foreign countries. Now an attempt is being made by the Canadian team in going to Washington to recapture the position lost in those negotiations.

Mr. Balcer: By the government of which the hon. gentleman was a member.

Mr. Chevrier: I think either the Minister of Finance or the Minister of Transport or someone on behalf of the government should give some indication of what it was the Canadian team was seeking in Washington, what success it has had, and what was the nature of the discussions. After all, there is nothing secret about this matter. These transborder routes have been public knowledge to both Canadians and Americans for many years now. It is only fair and right that we on this side of the house and the public should know what the position is with reference to the transborder routes.

There are other matters affecting the Canadian National Railways with which I should like to deal but the amount required in this resolution and the details thereof have just a short time ago been handed to me by the minister. On short notice like this it is difficult to deal with the matter in the manner in which I should like to deal with it at the present time.

I think those of us who sit on this side of the house will approve of the three new provisions which were announced by the Minister of Finance concerning certain extensions having to do with the capital revision of the Canadian National Railways pending a review of the capital structure of the C.N.R. by the royal commission on transportation.

I do not wish to enter into a discussion of the report of the royal commission. That has been done previously. Until the second and third reports, if that be the case, are brought down it perhaps would not be appropriate at this time to deal with that matter. However, the president of the Canadian National Railways did tell us that there was under consideration with the government at the present time a review of the capital structure of the Canadian National Railways. There is no doubt that the railways all across this country—not to mention railways in the United States and elsewhere—because of competition emanating from air lines, trucks and motor vehicles, are in difficult financial circumstances. The Canadian National Railways is no exception.

The president of the Canadian National Railways gave an excellent summary of the reasons why the net revenue of the railway was so much lower this year than it has been in the past. If one gives heed to the reports that have appeared in the press from time to time, in so far as Canadian National Railways is concerned, the situation certainly is not improving. I hope the royal commission on transportation will make recommendations which the government will find it possible to adopt which will assist Canadian National Railways in the difficult financial position in which it finds itself.

There are many other things I should like to inject into the debate, but I should like to conclude on the note with which I began. It is that before we are asked to vote these huge sums of money the house should be taken into the confidence of the government and parliament should be told who are going to be the directors of Canadian National Railways and, by inference, some of the directors of Trans-Canada Air Lines also. Until we are given that information the house, in all decency, should not be asked to adopt this resolution.

Mr. Fisher: Mr. Chairman, in view of the Prime Minister's indication this afternoon that we are on the lip of an election, if one

could put it that way, I suppose every time one gets up one is conscious that this may be the last opportunity to express opinions, and especially on an institution such as the Canadian National Railways.

Mr. Drysdale: Don't get political.

Mr. Fisher: The Canadian National Railways bill, as has been pointed out by both previous speakers, is a routine measure in a sense. We find nothing contentious in the measure itself and are prepared to support it.

However, it does seem to me most unfair that the Minister of Finance and the Minister of Transport have not taken the trouble to discover whether the report of the sessional committee on railways, air lines and shipping will be available to the house tomorrow. Without that report before the house we are not in a position to discuss many of the points that really need to be discussed and examined which affect this resolution and the whole financial picture of the C.N.R.

The minister himself indicated that before our committee Mr. Gordon mentioned that completely new proposals with regard to the capital revision of the C.N.R. were under way or were being studied at the present time. To say they are completely new is an understatement. As far as I am concerned they are a bombshell, and I am sure they are a bombshell to the minister. They are a bombshell the size of $700 million or $900 million apparently. We cannot really discuss that now, Mr. Chairman, because in order to do so we should be able to go into the committee proceedings and, according to procedures of the house this is not allowed.

Mr. Fleming (Eglinton): Mr. Chairman, I think the hon. member will agree with me that the proposed changes in the capital structure of the Canadian National Railways are not involved in the present bill. That is something for further study. The bill will simply continue the existing arrangement for another year to enable that study to be carried on. There is nothing in the bill that relates to that study or prejudices the right of any hon. member to comment on it in due course.

Mr. Fisher: I agree with that particular aspect of it, but I say to the minister this. We have a senior management that has been in charge of the railway for 12 years. In 1950 a royal commission made certain recommendations with regard to the capital structure of the Canadian National Railways. In 1952 there was a recapitalization, as the minister knows, but that measure is coming to an end and will be continued in this bill.

To speak properly to this matter we should be able to examine wholly, in relation to this bill, the proposals and information that the president of the Canadian National Railways gave us. The minister mentioned the recent royal commission. Here is a royal commission set up in 1959. It reports in the spring of 1961. Its hearings conclude in the winter of 1961. The president of the Canadian National Railways tells us in the committee that he has these great new provisions coming about, but he did not say a word of this to the royal commission on transportation. Not one thing was brought forward in that respect.

This is a most surprising state of affairs to me, that as a consequence of our last big royal commission on transportation we get a huge revision, well over half a billion dollars, in the debt structure of the C.N.R. Now we have another royal commission, and there seems to be no indication that anything is going to be done or recommended in relation to the C.N.R. debt structure. But the president has a new proposal, and it is a dandy—$700 million or $900 million. I hope that after the resolution is passed we do not deal with the bill until we have the committee report in the house and are free to go into details of the evidence that was presented to the committee.

Mr. Fleming (Eglinton): Mr. Chairman, I may inform the hon. member that I am again told we may expect a report tomorrow morning. In that event we would have it before there is any question of going on with second reading.

Mr. Chevrier: We should have had it a long time ago.

Mr. Fisher: The hon. member for Laurier made the point that the committee has been much delayed this year. I very much regret that it was delayed, because I think the whole attitude toward the C.N.R. management, especially on the part of the government members, might have been much different had we had the committee hearings a month and a half or two months ago, rather than coming with the peculiar juxtaposition to other events that affect other figures in the public service. I hope I am not being too obscure.

Mr. Pearson: No, you are not.

Mr. Chevrier: Another head to roll.

Mr. Fisher: I would suggest that the fact the committee hearings were late, other than the inconvenience of not having the information from the hearings, is really not critical in relation to the bill before us. Another point raised by the hon. member for Laurier

was in relation to the fact that we do not know who the directors are going to be. It seems to me that question is one worth putting forward, but I do not know whether it is worth getting excited about. We are pretty sure who the directors will be, in a general sense. I mean, there is no doubt about that. I do not think we are under any illusions that the government is searching around to find a good socialist to sit on this government corporation.

Mr. Drysdale: There aren't any.

Mr. Fisher: Do you mean there are no good socialists?

Mr. Drysdale: Not in crown corporations.

Mr. Fisher: Regarding that contradiction of terms from the hon. member for Drysdale—

Mr. Drysdale: Thank you for changing my riding.

Mr. Fisher: —I suggest that we put it to the voters of Burnaby-Richmond, because I imagine there are some people out there who will be voting in the next election and who might consider that you can link up the adjective "good" with the word "socialist". They may have something to say about the hon. member's return here.

Surely the point in regard to the directors is that the house did act to provide more directors. The official opposition took one position on it; we took another. We were glad to see the number of directors increased. But the delay is just another example of what we have come to assume is the chief characteristic of the present administration and, that, in its simplest terms, and in a word with a Latin root which would appeal to the Minister of Finance, is, simply, procrastination. When we look at this mob around us of 200 plus, we conclude it is easy enough to find Conservative M.P.'s; but it is too bad that in this mob of Conservatives in the country who stand behind them they cannot come up more quickly with people who want to be directors of this crown corporation.

The aspect of the Canadian National Railways about which I should most like to speak—but again, until we have permission to go into the evidence, it would be incomplete—is the question of whether we can have any great confidence in the present management of the Canadian National Railways. I am not going to anticipate what opinion the committee of the house which has looked at the railway might have, but it certainly is apparent from the resolution and from what the hon. member for Laurier called the vast sums involved that we are continuing to give a very free hand to the management of the Canadian National Railways in its programs of capital expenditure.

I hope that at some time in this debate the Minister of Transport will get up and give us a review of all the capital that has been pumped into the C.N.R. in the past decade and tell us the government's view as to how effective these expenditures have been in terms of operating revenue, operating profits or losses, as they may be, and also in terms of what these capital expenditures have done in providing job opportunities. It seems to me that if we are going to have an election very soon we must look even here at one of the fundamental issues which is going to appear at that election. That is not the issue of Senate reform, but the issue of unemployment. Here is a wonderful example of what has taken place in Canadian industry. Governments, both Liberal and Conservative, supported by all parties in the house, have pumped multimillions of dollars into the Canadian National Railways for change. Out of that change they have had a reduction in jobs and job opportunities which is astounding, and if it continues at the present rate, the railways, within about four more years, will have approximately half the number of employees that they had a decade ago, that is, in about 14 years practically half of the railway labour force will have gone. We should be conscious when we are putting through expenditures on this scale that these are some of the results that are accruing to the Canadian economy.

Someone suggests that you cannot move the clock back, that we cannot be an anachronism in the railway business. One can readily agree, but when one examines the consequence of this job reduction and job dislocation which has happened with the Canadian National Railways and other railways it certainly seems that we are not geared in relation to our willingness to spend on the C.N.R., to take care of the dislocation and the lack of jobs which result from the expenditures.

We shall support the bill and we look forward to the resolution having a quick passage through the committee, especially in view of the indication that tomorrow we shall have both the bill and the report of the sessional committee on railways, air lines and shipping before us.

The hon. member for Laurier went into some detail about the issue of Trans-Canada Air Lines and its position, especially with relation to rights which are being negotiated with the United States. What we are most concerned about is the apparent hesitancy on the part of the government and the Minister of Transport to come up with a clear-cut answer, yes or no, to the Canadian Pacific Airlines request for added opportunities for

service on the domestic lines. Again, even the friends of this government suffer from procrastination. In this regard, Trans-Canada Air Lines has given an indication that what competition was allowed on domestic routes has led them to have the first deficit in a period of nine years. We can only assume that this deficit results from the change in government policy which was made several years ago following the Wheatcroft report and the decision to allow Canadian Pacific Airlines to get into the trans-continental service. The issue is an extremely simple one and it can be put in the form of a question: Will a government decision to give Canadian Pacific Airlines more opportunity for domestic service create a greater deficit and greater problems for the government owned railway? It is as simple as that. It seems to be such a simple problem that it takes a great deal of time for the government to make up its mind. There is a very crude expression that one cannot use in the house in relation to this kind of proscrastination, but something needs to be done immediately, and since the next election is being fought on the basis not only of Senate reform, we hear, but on the basis of free enterprise versus socialism we can only assume that the government, when it finally does get through procrastinating is going to give Canadian Pacific Airlines exactly, or most of, what it is asking for.

I hope the government is consistent in its philosophy—and it seems to think it has a philosophy in this regard—because it would give us the opportunity of pointing out how paradoxical and ridiculous it is to create an instrument of national policy which is an efficient organization and then to turn around and cut its throat.

Mr. Benidickson: I have in the past had the privilege of introducing a resolution of this type when I was parliamentary assistant to the minister of finance of another government. I had at that time consistently said to the Canadian National Railways and to those officials in the Department of Transport who serve as liason officers between government and the railways that I felt there was a great desire in the interest of members of parliament that there be consistency in the wording not only in bills reflecting these tremendous amounts of money involved in these grants, but in the resolutions.

We are now at the resolution stage. I am disappointed that the C.N.R. has not assisted the administration by presenting to us something that is consistent along the lines I advocated. I was not a member this year of the committee on railways, air lines and shipping. I was last year. I made this point, but I find a radical departure when it comes to the phraseology of the resolution presented to us in 1961 as compared with 1960. We have before us in 1961 a resolution which in the first two or three lines makes reference to $178 million. I say that $178 million is an amount of money with which most hon. members of this committee are unfamiliar. For years and years on the government side and on the opposition side I have urged the adoption of consistency of terminology in this resolution so that we may go back to *Hansard* of previous years and compare oranges with oranges and not oranges with lemons.

Mr. Fleming (Eglinton): Would the hon. member agree that the resolution is in precisely the same form as the standard resolution we have had year by year, the only difference this year being the addition of the last clause which is necessary by reason of the new additional purposes which I outlined in my remarks a few moments ago?

Mr. Benidickson: I will not agree with the minister at all.

Mr. Fleming (Eglinton): Apart from that one clause the resolution is identical with the resolution last year.

Mr. Benidickson: I do not know whether the minister has the resolution for 1960 in front of him, but I have them both in front of me and contradict the minister in that statement categorically. I have urged that we adopt consistency in the matter of the wording of resolutions of this kind.

Mr. Fleming (Eglinton): Let me say to the hon. member that I have been assured by the official who drew this resolution that it is identical with the resolution of last year with the exception of the additional clause, but in view of what the hon. member says I will check it again.

Mr. Chevrier: Do not make a speech.

Mr. Benidickson: I have both documents in my hand and can make it very clear to hon members of this committee that there is a difference, and I shall read them if it is desired that I do so.

There is no suggestion in the first few lines of the resolution of 1960 as to the ultimate amount of money that this committee is committing the taxpayers to by the passage of this resolution. However, in the 1961 resolution in the first three lines we have a reference to capital expenditures in the year 1961 not exceeding $178,900,000. That is of course the crux of what this committee is being asked to do at the present time. I suggest that the members of this committee find the expenditure of this amount of money far beyond their experience as individuals and must, therefore, refer to the presentation made by

the president of the Canadian National Railways to the committee on railways, air lines and shipping of this year.

The sittings of that committee were rather drawn out. The interesting thing to note is that not only were the officers of the Canadian National Railways not brought before the committee at the normal time, but very late in this session, but report No. 5 of the proceedings and evidence, which should have been available to hon. members, was not printed and available to my knowledge until last Saturday. I was concerned with that report because I intended to do some research in respect to it. In spite of the fact that it was not available until last Saturday the government leader of this house proposed that we deal with this legislation prior to the time we had this evidence in our hands.

Be that as it may, we are faced with the difficulty and without much help, of translating the phraseology of this resolution given to us on July 3 in terms of what the president said as reported in the minutes of proceedings No. 5 of that committee at page 370.

Mr. Browne (Vancouver-Kingsway): Why didn't you sit with that committee?

Mr. Drysdale: What year is that report?

Mr. Benidickson: It is a 1961 report. I think the key to the examination of the capital expenditures can be found at page 370.

Mr. Drysdale: Mr. Chairman, I should like to rise on a point of order.

The Chairman: I think I know what the hon. gentleman's point of order is.

Mr. Drysdale: The hon. member intends to refer to a report which I believe is not yet properly before this house.

The Chairman: Yes. The hon. member for Port Arthur refrained from reading from the evidence of that committee because that particular report has not yet been received.

Mr. Benidickson: Mr. Chairman, how horrible and reprehensible the situation is. We are now in a position to discuss this resolution which involves the capital expenditure of $178 million but are unable to refer to the evidence presented to that committee at this time because it has not been properly placed before us. How reprehensible for the government to advance legislation at this stage and then for hon. members on the government side to suggest that it is improper, and it is improper under the rules of the committee of the whole, to refer to evidence which I read with great care over the week end, and upon which I had made annotations, particularly when this is evidence of a committee which was supposed to save the time of the committee of the whole. I say that this is just further proof of the mismanagement of the government in guiding this house in its legislative program.

Mr. Drysdale: The evidence will be available tomorrow if you like.

Mr. Benidickson: If it is to be available tomorrow I suggest that the resolution relating to this monumental capital obligation on the part of the taxpayers of this country should not have been advanced by this government until all the procedures had been followed in order that the evidence be available.

Last year the same committee suggested in its report that it took a serious view of the continuing deficit of the Canadian National Railways. I am not allowed now to refer to the fact that my colleagues investigated the budget of the Canadian National Railways and had before them the senior officers, nor the evidence which is available as a result of the ten meetings held by that committee. Incidentally, I should like to compliment my colleagues for the attention and efforts they devoted to the investigation of these important matters. In spite of the fact that the evidence is available, although not properly before the committee, I am not allowed to refer to it and must, therefore, turn to the report of that committee presented last year to point out that the committee does take a serious view of the continuing deficit of the Canadian National Railways.

I was not a member of that committee but my recollection is that—

Mr. Drysdale: You were a member last year.

Mr. Benidickson: I was a member of that committee last year and am referring now to a report which is properly before this house, because you have denied me the right to refer to this year's report on the ground that it has not been presented as yet to this committee. I read that evidence very carefully over the week end but am now unable to refer to it.

Mr. Drysdale: I am sorry.

Mr. Benidickson: I suggested last year that the deficits of the Canadian National Railways were not taken into the minister's calculations in making his budget estimate on March 31, 1960, that his budget would provide a surplus of $12 million, because very shortly after that an announcement was made by the Minister of Finance regarding the deficit to be incurred by the Canadian National Railways in 1960.

We know that the Minister of Finance in the presentation of his budget this year has done an unprecedented thing. He has not been prepared to date to inform hon. members

what the gross national productivity in 1961 is likely to be based on real values. However, we have some evidence that the Minister of Finance has not been very helpful to the House of Commons or to the country when an opportunity is given to look at the evidence concerning perhaps the biggest corporation in this country, namely the Canadian National Railways. We find that in 1961 they do not expect their revenues to increase even at the rate mentioned by the minister in his budget speech, namely 3 per cent, notwithstanding that certain costs of operation, in the opinion of the president, might be considerably greater than they were in 1960. These are questions of moment and importance which we are denied the opportunity to discuss on the grounds of a technicality, namely, that the report of the committee of 1961 has not been presented to us.

Let me use my own words. I am not going to quarrel with the president of the C.N.R. I quarrelled with him last year when he gave evidence on this same type of legislation. I said the deficit would be three or four times what it was represented to us by the government it would be and I proved to be right. This time I am only going to say that the president of the Canadian National Railways does not indicate that in 1961 his revenue will increase at a rate even comparable to the evasive and back-handed estimate given to us by the Minister of Finance in his budget speech on June 20 when he referred to a possible 3 per cent increase in growth.

I say these are the matters we have to consider when we are voting capital expenditures which involve interest on obligations of the C.N.R. This has continued year after year. These are the matters that are pertinent to the resolution before us which is a resolution preliminary to a bill. I repeat, I am not happy with technicalities and with amendments in language. The 1961 proposals for capital expenditures of the Canadian National Railways may amount to $178 million, and no truly comparable figure is given to us as members of parliament with respect to the 1960 budget of $279 million.

Apparently under the rules I am debarred from dealing with the evidence upon which members of parliament are supposed to rely when we come to discuss the matter further. I am debarred from dealing with evidence taken in a careful way, I would imagine, detailed in seven or eight reports of committee proceedings, and I would assume that they involved two meetings a day. I have respect for my colleagues. I am sure they gave great attention to this capital budget. But since I was not a member of that committee I am not able to refer to it when discussing a resolution introduced by this government at this time with the knowledge that perhaps the report would be available tomorrow. This resolution has been advanced on a technical, partisan basis because the government are not prepared to deal with another very important issue which we discussed yesterday and which they said was of the utmost emergency—

Mr. Churchill: We will get it tonight if we keep going.

Mr. Benidickson: Will the report of the committee on railways, air lines and shipping be available to us before we conclude this stage of the debate in the House of Commons? I refer to the resolution stage where we have rather unlimited and frequent opportunities to question the minister. Will that report be available? Will an opportunity be given to see whether the committee did as it did last year when it took a serious view of the continuing deficits of the Canadian National Railways?

I cannot refer to the evidence but I am informed that the president of the Canadian National Railways said that the deficit this year would perhaps be as large as or a little less than it was last year notwithstanding the fact that the Minister of Finance says we might have a 3 per cent increase in the growth of our national production.

These are serious questions, Mr. Chairman. I say we cannot proceed with this line of disorganization. When we have something of consequence, such as we have here, involving $178 million, I say we must have leadership from this government in directing the course of the day to day business of the House of Commons so that we are not prevented from utilizing the good work done for a period of, I would assume, perhaps 40 hours by members of parliament in the committee on railways, air lines and shipping.

Will you call it six o'clock, Mr. Chairman.

At six o'clock the committee took recess.

AFTER RECESS

The committee resumed at 7.30 p.m.

Mr. Pickersgill: Mr. Chairman, I do not intend to speak at any great length on this resolution. Indeed, it is not the type of resolution on which I would normally have had anything to say at all. However, I did have the opportunity of serving for a short while on the committee, which I believe we are allowed to mention as long as we do not mention anything that happened in the committee. It is permissible to recognize that the committee had an existence. I must say that

I was in attendance in that committee on a day when the press states it was very dramatic. I had quite an interest in what happened there.

What I wished to speak about at the outset was, having been appointed to this committee and not having been removed from it, I have been receiving notices for the last few days about meetings of this committee in camera to prepare a report at a time when events in this house seemed to me to be of more compelling importance. We are now assured by the Minister of Finance, who although not a member of the committee seems to be better informed than some of us who are, that the committee is going to make a report tomorrow. I do not believe the hon. member for Laurier or I will have much idea what is going to be in that report, through no fault of our own. This is just another example of the way in which the affairs of this parliament have been mismanaged by the present administration ever since we came back in January.

As a result of our co-operation with the government in November, some legislation was passed because the government was caught off guard. Government members, however, did their best to filibuster their own legislation at that time. From January onward, we have had week after week, month after month of the time of this house and the committee of the whole taken up with endless repetition from hon. gentlemen on the other side. There was repeated delay of the important business and now we reach a situation where on the 151st day of the session, just two days short of the longest session in our whole history—this was Sir Wilfrid Laurier's session in 1903 when things were being done in this country and not being postponed—in which I venture to say that, apart from Mr. Coyne, Senator Courtemanche and the delayed budget, there will not be a person in this country who will remember anything that has happened in the whole of this session—

The Chairman: Order. I hope that the hon. member's introductory remarks will come to an end soon and he will discuss this resolution.

Mr. Pickersgill: I hope they will not, sir, because what I am pointing out is we are being asked, on the 151st day of the session, to consider a resolution, the proper consideration of which necessitates having before us, for at least two or three days, the report and the proceedings of the sessional committee on railways, air lines, and shipping, owned and operated by the government.

Why do we have that committee, sir? We have that committee precisely so that we can give intelligent consideration to the future needs of the railway. We do not have it, though some members seem to think we do, for the purpose of engaging in a lot of useless recriminations about the past. We have it because we know there is a great problem in connection with the railway and a developing problem in connection with T.C.A., and there is a good deal of concern about all these government operations that are covered by this committee. In spite of this the government, on the 151st day of the session, has managed things so badly that we find ourselves being asked to vote blindly on this resolution.

Perhaps of itself and by itself, isolated from everything else, this might not be a very serious matter but it is symptomatic of everything that has happened during the session and suggests that it has really become almost intolerable to have in charge of operations of one of the greatest countries in the world a lady and a collection of gentlemen—I must say for the hon. lady that I would give her higher marks than most of the hon. gentlemen—who seem to be incapable of decision, incapable of action and incapable of managing the affairs of the country.

Mr. Lambert: Including the opposition that cannot keep its mouth shut.

Mr. Pickersgill: We have now one of those interventions from the hon. member for Edmonton West sitting right behind the Minister of Finance who on one celebrated occasion before the hon. member for Edmonton West had been elected to this house so asserted his alleged right to speak that he was expelled from the house for asserting it. In those days the Conservative party thought an opposition should talk; they thought it should have the right to talk. Now the only part of this house that is doing its duty is the opposition and hon. gentlemen seek to prevent it from doing that.

Mr. Lambert: Not the opposition; a few people in it. Let us hear occasionally from some of your other members.

Mr. Pickersgill: Perhaps after the distinguished intervention that was made the other day by the hon. gentleman from Edmonton, it is not surprising that he has reverted to his usual practice of speaking from his seat.

I was saying, Mr. Chairman, that I really rose for another purpose. My purpose was to do today what I said at six o'clock yesterday I would do and that is to read into the record a letter I wrote to the present Prime Minister of this country in 1953 with respect to one aspect of the operation of the Canadian National Railways about which the Prime Minister quite extraneously in another debate

made certain gratuitous observations to which I took exception. Since it is relevant in this context and was not relevant in that in which it was used, and since it seems to me that I should be entitled to have this document put on the record today, I propose now to read a letter which I wrote to the Prime Minister and which I mentioned yesterday. It is a letter I wrote to the Prime Minister on July 15, 1953, when I was for the first time a candidate for election to this parliament.

An hon. Member: Eight years ago.

Mr. Pickersgill: Eight years ago; that is right. I do not think any member of the house would have expected me to raise this question at all. I was exceedingly surprised that the right hon. gentleman raised it, but since he chose to do so I think the record should be set straight. This letter is dated Regina, Saskatchewan, July 15, 1953. It is addressed to J. G. Diefenbaker, Esq., Q.C., Prince Albert, Saskatchewan, and it reads as follows:

Dear Mr. Diefenbaker:

I have just seen reports in the Ottawa "Citizen" and the London "Free Press" of July 7 of a speech you made the previous day in St. Thomas in which you are said to have made certain statements about interference by the government with the Canadian National Railway hotel management at Winnipeg.

The London "Free Press" report also states you said there was proof—

And I underline that word "proof".

—that I had "complained" to the cabinet and to C.N.R. management about the "treatment" I got at the hotel.

You obviously have no personal knowledge of any such action and the president of the Canadian National Railways denied there had been any complaint.

I made no complaint to the cabinet or anyone else and it was only some weeks later that I made a reference to the matter at all in a private conversation with Mr. Donald Gordon in a reply to a question from him.

Mr. Churchill: The reference was a complaint, was it not?

Mr. Brunsden: Mr. Chairman, I rise on a point of order.

Some hon. Members: Oh, oh.

Mr. Brunsden: Will the hon. member explain how he came into possession of this letter addressed to the Prime Minister?

Mr. Pickersgill: I wrote it. I must say that I am staggered by that question. I am the author of this letter and being the author of it, having had some occasion to look into the copyright laws, I believe I own the letter. However, I have no doubt that the hon. member for Medicine Hat has not only satisfied his curiosity but has also achieved what he set out to do which was to divide the letter into two parts in *Hansard*. That is one of the risks one has to take in this game and I take it. But I think perhaps I should read again from the letter and I hope that this time, having confessed that I wrote the letter myself, I might be allowed to read it uninterrupted. I am not going to read the first two paragraphs again but will commence with the third:

You obviously have no personal knowledge of any such action and the president of the Canadian National Railways denied there had been any complaint.

I made no complaint to the cabinet or anyone else and it was only some weeks later that I made a reference to the matter at all in a private conversation with Mr. Donald Gordon in a reply to a question from him.

Are you now suggesting I should not have told him the truth for fear someone would subsequently misrepresent what had happened for a supposed political advantage?

You are a lawyer and I assume when you tell the public you have "proof" of something you do not mean you have just been listening to gossip or hearsay.

I myself made a memorandum of my personal conversation with Mr. Donald Gordon which the prime minister—

That was Mr. St. Laurent.

—sent to Mr. J. M. Macdonnell, M.P. on March 30th last. Since that time I have seen no further reference by Mr. Macdonnell to the matter.

I have the prime minister's permission to send you the enclosed copy of this correspondence with Mr. Macdonnell and I would hope that, if you feel it necessary to refer again to my conduct, you will give the facts fully and fairly as I cannot imagine that you believe the Conservative party needs to distort and misrepresent facts to impress the public.

I am, of course, a newcomer in public life, but I would find it hard to believe that a public man with your many years of experience and your reputation would continue to repeat statements that are not true, once he was aware of the truth.

Yours sincerely,
J. W. Pickersgill

The Chairman: Shall the resolution carry?

Some hon. Members: Carried.

Resolution reported and concurred in.

Mr. Fleming (Eglinton) thereupon moved for leave to introduce Bill No. C-121, to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways system for the period from the 1st day of January, 1961 to the 30th day of June, 1962, and to authorize the guarantee by Her Majesty of certain securities to be issued by the Canadian National Railway Company.

Motion agreed to and bill read the first time.

BUSINESS OF THE HOUSE

Mr. Balcer: Mr. Speaker, I wonder whether I might get leave of the house to revert to motions. I should like to make an announcement.

Business of the House

Mr. Deputy Speaker: Has the minister leave to revert to motions at this time?

Some hon. Members: Agreed.

The house having reverted to the order for motions:

(Translation):

TRANSPORT

SOULANGES CANAL—STATEMENT AS TO FEDERAL DISPOSAL

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, I should like to make the following announcement. Over the past few months, we have had discussions with the government of the province of Quebec with regard to the Soulanges canal, which has not been in use since the opening of the St. Lawrence seaway. As a result of correspondence exchange with the minister of fish and game of the province of Quebec, we have agreed that the federal government would offer to sell for industrial purposes some land located along the Soulanges canal. It was also agreed that if, after a month, the offers received were considered inadequate by the federal government, the Soulanges canal would be offered to the province of Quebec. To that effect, Mr. Speaker, I have written today the following letter to the minister of fish and game, Mr. Gerard Levesque:

July 6, 1961.

Hon. Gerard Levesque,
Minister of Fish and Game,
Parliament Buildings,
Quebec City, Que.

Honourable Sir:

Further to my letters of last April 4 and May 12, concerning the Soulanges canal properties, I wish to inform you that my department has received a few offers from industrial and commercial firms in connection with the land and buildings at Cascade Point. Having given serious consideration to those offers, we have decided to turn them down and, as agreed with you, I am now prepared to recommend to treasury board that all the Soulanges canal properties be transferred to the province of Quebec for the nominal sum of $1, those properties to be used as a fish reserve for the people of the district.

As mentioned in my letter of April 4, my department would like to reserve itself the right to use, during the winter, the wharf situated at the entrance of the canal at Coteau Landing for the storage of the buoys used on lake Saint-François, in the summer. My department will take the necessary steps to turn over to you the Soulanges canal properties as soon as we have received confirmation of your acceptance of this offer.

I should like this transaction to be subject to only one condition, namely the following:

We should like the province to undertake to keep in its service the few federal employees who are now looking after the maintenance of the canal.

Please accept, Sir, my best regards.

[Mr. Balcer.]

Hon. Lionel Chevrier (Laurier): Mr. Speaker, if I may, I should just like to congratulate the minister on the decision he has reached. In my opinion, it was the only one possible under the circumstances.

I will not indulge in political considerations since this question is now settled. I will merely add that it is unfortunate that it could not have been settled sooner.

The minister has written to the Quebec minister of fish and game to inform him that he was willing to hand over to the province the whole canal from the upper part, in Coteau, to Cascade Point.

I am sure that all members who followed the negotiations between the two governments are not only happy with the results but feel that it was the only proper thing to do under the circumstances.

I should like to thank the minister once more and to commend him for the decision he has made as to that matter.

(Text):

INDUSTRIAL DEVELOPMENT BANK ACT

AMENDMENTS RESPECTING CLASSES OF LOANS, INCREASING AUTHORIZED CAPITAL, ETC.

The house resumed, from Monday, July 3, consideration in committee of Bill No. C-117, to amend the Industrial Development Bank Act—Mr. Fleming (Eglinton)—Mr. Flynn in the chair.

On clause 6—*Capitalization.*

Mr. Benidickson: Mr. Chairman, the committee considered this bill on July 3 and we saw that the explanatory notes with respect to clause 6 read as follows:

The purpose of this amendment is to increase the authorized capital of the bank from $25 million to $50 million. Section 12 at present reads as follows:

That section is available to all members of the committee. A few minutes before the adjournment on July 3 I asked the Minister of Finance how this capital was going to be raised. As reported on page 7469 of *Hansard*, I asked:

Where does the money come from? In what manner is it provided?

The Minister of Finance had only a very short time in which to reply, but I say he replied in a most inadequate and shabby fashion. I suggest that all hon. members of this committee want to know a little more about the provision of these funds beyond what the Minister of Finance said on that occasion. In reply to my question the minister said, as reported at page 7469 of *Hansard*:

The legislation imposes the duty upon the Bank of Canada to provide this additional capital.

The minister was referring to this extra $25 million. That is all the Minister of Finance thought he should tell the committee. He went on to say:

> The money will be provided, in—

I emphasize this next word:

> —obedience to the legislation enacted by this parliament,—

Does that explain to hon. members of the committee how the additional $25 million is going to be provided under the amending bill which is before us? I must confess, in all modesty, that it does not explain it to me. I went on to ask:

> Does that mean the printing presses?

I admit the minister did not have very much time in which to answer my criticism, but he has adequate time tonight. He has 2½ hours tonight in which to explain to this committee, in layman's language, how the Bank of Canada will discharge—to use the minister's words—"the duty" upon it to provide these funds, and how "in obedience" to legislation enacted the money will be provided. As I said earlier in the debate, the lending power provided in the bill is five times the $25 million increase in capital funds; the ratio of the lending power provided is increased to five times the capital under this statute.

On July 3 the minister did not have time to explain this matter to those of us who are ignorant about some of these machinations in the financial field, but I take it that in the 2½ hours ahead he can adequately explain just how this is going to be done. He can explain whether it will involve utilization of the printing presses and whether it will involve inflation.

Mr. Fleming (Eglinton): Mr. Chairman, there is no secret involved here. All this bill does is amend certain words in the present statute. When the present statute was enacted in the session of 1944-45 section 12 provided that the authorized capital of the bank should be $25 million, divided into 250,000 shares at par value of $100 each. Subsection 2 of section 12 provided:

> The Bank of Canada shall subscribe—

There was a command given by parliament to the Bank of Canada:

> The Bank of Canada shall subscribe for the said 250,000 shares at par and shall pay the amount of such subscription at such times and in such amounts as the board may determine.

Mr. Benidickson: You are reading the bill.

Mr. Fleming (Eglinton): All that this bill does is change the amount. Clause 1 simply changes "25" to "50"; it changes "250" to "500". Clause 2 simply changes "250,000" to "500,000". It does not change the terms at all in which parliament directs the Bank of Canada to subscribe the authorized capital. The statement of assets and liabilities of the Bank of Canada for some time has showed and shows now $25 million of the capital stock of the industrial development bank as one of the assets of the bank. The Bank of Canada has various investments which are carried on the assets side of its statement. It would be a matter for decision on the part of the Bank of Canada whether the additional $25 million should be provided by the realization of other assets and the investment of the proceeds in this manner or by the exercise of other powers open to the Bank of Canada under the act.

Mr. Benidickson: I think all members of the committee, including those who usually support the government, would really wish to look at the last words of the Minister of Finance in which the hon. gentleman vaguely said that the Bank of Canada might resort to some other opportunities open to them to finance this particular enactment. Specifically, surely, we are entitled in committee of the whole to ask the minister, taking his own words, what the Bank of Canada is going to do in recourse. Is it going to go to the Canadian Bank Note Company on Wellington Street and print notes? Is the government of Canada going to enlarge its cash borrowings for the current fiscal year about which it has given us no advice in the budget? Hon. members opposite have stipulated that they have an ultimate ceiling on the amount of money they feel they should go out to the public and borrow in the course of the fiscal year 1961-62. That was indicated to us in the budget speech on June 20. Now I ask the minister, and I know he left this gigantic gamble about the exchange rate out of his speech, why there was nothing in his speech with respect to requirements for cash borrowings on the part of the government, guaranteed by the government, in relation to acceptance of the requirements of the industrial development bank?

Mr. Fleming (Eglinton): I can answer that very simply.

Mr. Benidickson: I am not finished.

Mr. Fleming (Eglinton): Oh dear.

Mr. Benidickson: The minister can answer all these points simply, to a simple man and to all simple men in this committee. What I am saying is this. Under what operation does the minister foresee that the Bank of Canada will provide another $25 million in capital for the industrial development bank and then afterwards, on a multiple of five plus $25 million, provide lending power for

the industrial development bank as contemplated in the amending bill before us? Will the minister explain that to all of us who, I say, are not too knowledgeable in some of these aspects of finance? We have suggested that there might be utilization of the printing press. The Minister of Finance says that is not so. He says the stroke of the pen will not be utilized; that real money will create this additional capital for the bank and, indeed, will create five times the capital to be provided as lending power. Will the minister please explain to the satisfaction of all of us simple people here in this committee how that is going to be done?

Mr. Fleming (Eglinton): In the manner prescribed by the clause, Mr. Chairman, if the clause is duly carried. It is not the government which is to provide the additional capital authorized by the clause; it is the Bank of Canada. Therefore, there is no question of government money-raising being involved here at all. As to the way in which the Bank of Canada is subscribing the $25 million additional capital, that would be a matter for decision by the bank. I have no doubt the bank will comply with the terms of a statute when enacted by parliament.

Mr. Benidickson: And pay for a little printing down Wellington street at the office of the Canadian Bank Note Company.

Mr. Fleming (Eglinton): If the hon. member—

Mr. Benidickson: I have the floor, Mr. Chairman. Subclause 2 says:

> The Bank of Canada shall subscribe for the said five hundred thousand shares at par and shall pay the amount of such subscription at such times and in such amounts as the board may determine.

I wish to know how they are going to pay. My question is how is this going to be done? I say to the minister: Tell your colleagues here in the committee of the whole how this is going to be done by a course in any way different from that which has been followed with regard to, shall we say, the farm credit corporation, or Central Mortgage and Housing Corporation. Tell us how this is different from the manner in which credit is provided in those circumstances, and why, in the hon. gentleman's budget there was no reference to a cash borrowing liability potential in 1961 and 1962 with respect to this requirement comparable to the cash liability and borrowing set out in the minister's budget tables on June 20 with relation to the farm credit corporation, Central Mortgage and Housing Corporation and so on.

The minister knows I have criticized him severely for that blank, that little item of a dot, in his cash requirements statement in the budget which refers to the exchange fund gamble that he talked about a year ago. I shall not deal with that. That is irrelevant, perhaps, to tonight's debate. But I am asking him what is the difference between the method of providing credit under the Farm Credit Act or under the National Housing Act, and providing credit under this act? Under the two other measures referred to, the minister reports to parliament in respect of cash requirements and borrowings needed during the fiscal year 1961-62.

Mr. Fleming (Eglinton): Obviously this has nothing to do with government borrowing requirements for 1961-62. It is entirely different from the provision of capital for the farm credit corporation or for Central Mortgage and Housing Corporation. In the case of those two crown corporations the capital is provided by the government. In the case of the industrial development bank, the capital has been provided in accordance with the act by the Bank of Canada. That is the difference. In the one case it is provided by the government, and in the other case it is provided by the Bank of Canada; so they are different. The capital in this case has been provided by the Bank of Canada and the increase will be provided by the Bank of Canada if this measure carries, and obviously it does not enter into the budget requirements of the government.

Mr. Pickersgill: I should like to ask the minister a different line of question with regard to this capital. Perhaps I should ask two or three questions at once so that the minister could reply to them all.

The minister has asked parliament to instruct the Bank of Canada to subscribe another $25 million capital. I think the minister told us just before bringing in this bill that he had discussed this bill with the Bank of Canada.

Mr. Martin (Essex East): In a general way.

Mr. Pickersgill: Yes, in a general way, as I am reminded by the hon. member for Essex East. I should like to ask the minister whether in those general discussions he received advice from the Bank of Canada as to whether the additional $25 million capital was an appropriate amount, and how this amount was arrived at. Did this figure just spring into the minister's own mind without any discussion with the Bank of Canada and, if it did not, did he have any discussions with the Bank of Canada as to whether it had funds available for this purpose, or what arrangements they would have to make, or what securities they would have to dispose of in order to make this capital available?

Perhaps I could add one final question so the minister can give a confusing answer as he undoubtedly will. Will this have any effect upon the monetary policy of the Bank of Canada and upon the total money supply of the country?

Mr. Fleming (Eglinton): Mr. Chairman, communications passing between the government and the Bank of Canada in relation to such matters are confidential, and it would be quite improper on my part to discuss communications that pass in respect to this subject. I was asked that same question on a previous occasion and was obliged to take the same position.

What effect this will have on the money supply is a matter for decision on the part of the Bank of Canada, which is the only authority in this country that can create currency under the provisions of the Bank of Canada Act.

Mr. Benidickson: Mr. Chairman, this question of monetary supply involves a statute. I recognize, although the minister has not during a period of four years, that the Bank of Canada has some responsibility in connection with monetary supply. However, I am asking in regard to clause 6 how the additional $25 million capital for the industrial development bank is to be created. Further to that I should like to know how the government intends to create the $125 million which is to be made available to the constituents of hon. members who sit here in this chamber. I should like to know what the minister's opinion is in this regard, because I have held the minister responsible, at least for four years, in respect to monetary policy. I should like to ask the minister what his opinion is in regard to the printing of this money to meet those obligations with which most of us are concerned, but with which the minister for four years has not been concerned. I suggest he has not yet been concerned at all with the high costs which result to the taxpayers of this country. That is the question we must discuss here in relation to clause 6.

Will the minister to explain to us how the $25 million is going to be subscribed by the Bank of Canada? I will sit down and let the minister answer that question and just forget about the additional $125 million. Are bonds of the Dominion of Canada to be offered to the public to create this $25 million? Is the $25 million going to come out of the existing savings of the Canadian public, or is the Bank of Canada going to sell the bonds which it now holds? The minister has already told us that he is not going to depress the long term bond situation in which the provinces, municipalities and corporations are interested. He said he was going to stay out of that market. In light of that assurance, can he tell us where this $25 million is going to come from?

Mr. Fleming (Eglinton): Mr. Chairman, I have already given that explanation.

Mr. Martin (Essex East): Mr. Chairman, I have been listening with considerable interest to the valuable interrogations of the minister by the hon. member for Kenora-Rainy River.

Some hon. Members: Oh, oh.

Mr. Drysdale: Try again, Paul.

Mr. Martin (Essex East): I have not altogether been surprised by the inconclusive character of the response the minister has made to some of the questions put to him by that hon. member, but the more one dwells on the nature of these interrogations, and the more one bears in mind the implications of the various sections—almost every section of this act—it becomes increasingly clear that the Bank of Canada will play the central role in the operations of the industrial development bank.

The hon. member for Kenora-Rainy River has asked where in the first instance the $25 million is to come from. The minister initially replied so evasively that I found it difficult to keep my seat even while the hon. member for Kenora-Rainy River was talking. What the minister said was that all this bill does is simply amend the statute. That was no reply at all. It is quite clear that clause 6 continues the principle involved in the original section except—

Mr. Browne (St. John's West): Hear, hear.

Mr. Martin (Essex East): The Solicitor General says "Hear, hear". I hope that he will not regard the amendments as a mere bagatelle. The same principle is continued except that the authorized capital of the bank is to be increased from $25 million to $50 million and the Bank of Canada is to subscribe, instead of 250,000 shares, 500,000 shares. Those figures must be regarded by the Solicitor General as providing a very substantial change in the effect of the section. It is to those increases that the questions of my friend the hon. member for Kenora-Rainy River have been addressed.

The minister said in regard to how this money was to be provided, that it will be up to the bank itself to determine whether it is going to use its investment portfolio or other methods provided under the Bank of Canada Act. To repeat what the minister

said, it is a matter for the determination of the Bank of Canada itself. The Minister of Finance cannot tell us—

Mr. Pickersgill: He does not know.

Mr. Martin (Essex East): —to what means the Bank of Canada is going to resort, to its investment portfolio or the other methods open to it under the statute. This is important information which has been asked for, and which is essential for us to have in order to fully—

Mr. Browne (St. John's West): May I ask the hon. member a question?

Mr. Martin (Essex East): May I complete my sentence? I suggest this is very important information and essential in order that we fully understand the potential of this act. The Solicitor General is obviously agitated because he has a good question.

Mr. Browne (St. John's West): I wanted to ask whether the hon. member was a member of the cabinet when the industrial development bank was formed in the first place. Where did they get the money then?

Mr. Martin (Essex East): If my hon. friend had been in this house he would have remembered. He may find that this can be verified in *Hansard*. When the industrial development bank was first discussed in this house there was not the same reluctance to give information as one has found in the case of the present Minister of Finance. That is clear. The Minister of Finance seems to regard the Bank of Canada—

Mr. Browne (St. John's West): The hon. gentleman is not answering my question.

Mr. Martin (Essex East): Will my hon. friend permit me to answer it in the careful way in which I like to prepare my answers?

Mr. Drysdale: You have a good quarterback, too.

Mr. Martin (Essex East): I should remind my hon. friend—I just forgot my history for a moment—I was not a member of the government at the time, but I was a member of this house. My hon. friend knows well that I am somewhat assiduous in the performance of my duties. I was here when the discussion took place and I recall very well the way in which the minister of finance of that day, Mr. Ilsley, gave replies to these questions.

Mr. Herridge: Hear, hear.

Mr. Martin (Essex East): The member for Kootenay West says "hear, hear." He has been here for a long time and he will recall that the minister of finance of that day did not regard the Bank of Canada with the same air of detachment and mystery that apparently pervades the thinking and the manner of treatment of the bank by the Minister of Finance.

Mr. Aiken: He does not remember, either.

Mr. Martin (Essex East): The minister of finance of that day would have had no difficulty in saying, as a result of his consultations with the bank, that the bank proposed to use a particular method for raising the moneys that were required under the statute. I do not think that that would be very difficult for the Minister of Finance today. In any event, he says he does not know. He says it is a matter for the bank to determine.

Subclause 2 of clause 6 reads:

> The Bank of Canada shall subscribe for the said 500,000 shares at par and shall pay the amount of such subscription at such times and in such amounts as the board may determine.

This is a very large increase in the credit that is to be made available now under the amending legislation to assist industrial enterprises.

Mr. Macdonnell: What percentages of the assets of the Bank of Canada is it?

Mr. Martin (Essex East): I did not catch the hon. member's question.

Mr. Macdonnell: Can the hon. member tell us what percentage of the assets of the Bank of Canada is represented by this $25 million?

Mr. Martin (Essex East): My hon. friend says $25 million, but this is not the only amount that the bank is going to be called upon to put up. The rise in the credit available will be $300 million. The total amount of credit which will be provided under this legislation will be $400 million.

The question my hon. friend asks is a very important one but I do not know why he puts the question to me. It is the kind of question that should be put to the Minister of Finance. I am afraid that if any one of us on this side of the house asked the Minister of Finance for the answer to that question we would not receive it. When I am through I hope the hon. member for Greenwood will rise and ask that question. I am sure the Minister of Finance will give that information to the hon. member for Greenwood and we can vicariously take advantage of the reply. I am sure if I asked the Minister of Finance—he feels so cool toward me these days—I would not be able to get any kind of reply.

The point of my present intervention is this. Since the minister finds it difficult to give us replies to some of these questions I wish to renew tonight the request we made the other night, namely that we send this

bill to a committee of this house so that we can examine the president of the industrial development bank.

Mr. Fleming (Eglinton): I rise on a point of order, Mr. Chairman. This is a repetition of the tactics we had in this house on Monday night when the fair discussion of the bill was greatly delayed. We are in committee on the bill because of a decision of the house, Mr. Chairman, and it does not lie within the power of this committee to change the decision of the house in that regard and any discussion of that subject in this committee is entirely out of order.

Mr. Martin (Essex East): Mr. Chairman, I am sure you do not need any assistance from me to deal with the most unfortunate intervention of the Minister of Finance. We discussed this the other night on clause 3 of the bill. We had some discussion on clause 6. There was no suggestion at any time that that kind of request was out of order. The only purpose the Minister of Finance can have in raising it now is that he finds this repeated suggestion embarrassing and irritating. That is the only reason; I can find no other reason and it is not a ground for raising a point of order. I can very well understand how irritated the minister is.

The Chairman: Order.

Mr. Benidickson: He cannot explain it to us.

The Chairman: I think the hon. member for Essex East will remember that the point was raised the other night by the hon. member for Hull. I indicated that this committee had no purpose other than to study the bill clause by clause. Therefore it seems to me that to discuss the sending of this bill to a special or a standing committee would not be relevant at this time.

Mr. Martin (Essex East): I must say I do not agree; I profoundly disagree and I hope that you, sir, will not make that kind of ruling.

Mr. Benidickson: Mr. Chairman—

The Chairman: Order. May I complete my remarks before the hon. member for Essex East expresses his disagreement.

To express of regret that this was not done may be one thing, but to suggest repeatedly that this be done would be out of order. There is a distinction there that the hon. member can make.

Mr. Pickersgill: Before you make a final ruling, sir, will you hear argument on this point?

I think the minister quite wrongly said that a decision was made on this point by the house. No decision was ever made by the house. The point was never put before the house; there was no way of putting it. It is true that we resolved to go into committee on the bill but no motion was made that the bill should go to a special committee, so that the house took no decision on this matter. Therefore, there is no decision of the house that is being contravened by our suggesting, as my hon. friend from Essex East was just doing, that since we cannot get the information from the minister we ought to be in another place where we could get it from someone who knows what it is. Since the minister is not on speaking terms with the governor of the Bank of Canada, we ought to get someone from the Bank of Canada who will know how they are going to do this.

Mr. Martin (Essex East): Mr. Chairman, you have suggested that there was no objection, of course, to a suggestion. I thought I had put the request in the form of a suggestion. If I have not, I will suggest to the minister now that because of the fact he says the replies to certain of these questions reside in the bank, and because obtaining answers to these questions is vital to this matter, in the interests of the quick dispatch of this measure and a full comprehension of all of its implications we should have the opportunity of examining the governor of the Bank of Canada who is the president of the industrial development bank so that we could ask him—

Mr. Fleming (Eglinton): On a point of order, Mr. Chairman, I must ask you now to make a ruling on the point I raised a while ago. The hon. member for Bonavista-Twillingate had quite overlooked the facts of the case when he said there had been no decision of the house. If you refer to *Hansard* of July 3, at page 7447, at the top of the second column, you will see that after the bill in question was read the second time *Hansard* proceeded in this way:

> Mr. Fleming (Eglinton) moved that the house go into committee on the bill.
>
> Mr. Deputy Speaker: Is it the pleasure of the house to adopt the motion?
>
> Mr. Pickersgill: On division.
>
> Mr. Deputy Speaker: Carried on division.

That is the decision of the house to refer this bill to this committee. Under the rules of this house, Mr. Chairman, it is referred to this committee for the purpose of a review of the clauses of the bill and not for the purpose of discussing reference of it to some other committee. It was a decision of the house that it be referred to this committee.

Mr. Pickersgill: The Minister of Finance, as usual, has misrepresented what I said. What I said was that this house took no

decision about referring this bill to the banking and commerce committee. If the house had made a decision, if there had been a motion made to refer this bill to the committee on banking and commerce and the house had turned it down, then the minister would be quite right. This would be a decision of the house and we could not reopen that question. However, the question was never put to the house at all. It is still open to us, therefore, to say we are not getting the information we ought to be getting here in committee of the whole and therefore the committee should rise, report progress and the government should let us go to another place where we can get the information. That is all we are suggesting.

The minister has told us he does not know anything about this. He has no way of finding out, and if he did the information would be secret; parliament would not be entitled to it. Surely parliament is not going to be asked to order the Bank of Canada to put up $25 million without knowing where this money is coming from. This is what the minister is asking us to do. He does not know where or from what source the money is coming. He says it is none of our business where it is coming from; we have no right to know; we have no right to go to a place where we could find out.

Mr. Benidickson: On this point of order, the Minister of Finance again has given us only part of the record in twisted form. He referred to page 7447 of *Hansard* and told us this particular situation had been resolved. He referred to the matter being settled on division. I wish to refer my colleagues to the words that the Minister of Finance did not read, and they are attributed to me. I quote:

> Mr. Benidickson: There are unanswered questions. That is why it was agreed to on division.

We are now at another stage of the debate in which we expect to obtain some answers to these questions.

Mr. Macdonnell: I suggest we are in great danger of making a laughing stock of ourselves in this house. The Minister of Finance has been asked a question as to how a comparatively small amount of money is to be raised by the Bank of Canada.

Mr. Martin (Essex East): Then, $25 million is small?

Mr. Macdonnell: I used the word "comparatively". The Bank of Canada has $3 billion of assets. The minister has answered the question in terms which anyone with even a modest familiarity with financial affairs would understand. We are now being told, I do not think very seriously and I hope not very seriously, that he has not explained or he does not know merely because he has not undertaken to say which of the various means at the disposal of the bank, with $3 billion of assets, will be used by the bank. The bank has also the power to create more money if necessary. The minister has not undertaken to say by what detailed measures the bank will provide this sum. I suggest that anyone with even the slightest familiarity with financial matters would say that the Minister of Finance has answered the question satisfactorily, and that we are making a laughing stock of ourselves at the present time.

The Chairman: Order. I find that as chairman I ruled on this point the last time the bill was before the committee. I refer hon. members to page 7456 of *Hansard*. Essentially, the ruling explains that this committee only has the power to examine this bill clause by clause, and it was for the house to decide whether or not the bill should have been referred to the banking and commerce committee or any other special or standing committee of the house. This was not done, so the situation has not changed at all. Having ruled this discussion out of order at another time, it is clear that I have to rule the same way tonight.

I may mention also that as reported at page 7457 the hon. member for Hull moved that the committee rise, report progress and ask the house to refer the bill to the banking and commerce committee for further study. This motion was ruled out of order. The hon. member for Essex East then moved that the committee rise and report progress. The motion was decided in the negative. However, the motion made by the hon. member for Essex East did not deal with this particular point. I am not citing this motion to indicate that the committee made a decision on that point. I only point out that the Chair made a decision then and it was not appealed. We should, therefore, proceed in accordance with this decision.

Mr. Martin (Essex East): I do not dispute what you have said; of course, what you have said is true, Mr. Chairman. You did make a specific ruling on a specific point. However, you said a few moments ago that there was a difference between making a request in the form of a motion that this matter be sent to the banking and commerce committee and making a suggestion, in the course of argument to the minister, that because the minister was not in a position to answer certain questions some other instrumentality might be found for giving the house an opportunity of securing this information. I am not making any motion. I am not moving that this matter go before the banking and commerce committee.

Are we not in this position? The minister says that these are answers that can only be given by the Bank of Canada. I simply say, in parenthesis, to the hon. member for Greenwood that he may have an understanding of this subject that perhaps I should have, but it is quite obvious that we do not have the same background and the same experience. Consequently, we are not in a position to give to ourselves the ready answers which he feels he has. I wish he had told us how the bank was going to raise this money, whether through its investment portfolio or through other means and methods open to it under the act. Since the Minister of Finance does not give us this information, surely no one sitting on the treasury benches is going to argue that an hon. member has not the right, in the course of a clause by clause discussion of this bill, to say that being the case and this being a vital element in the bill, the minister should assist us in obtaining the kind of information we wish in the only place that information can be obtained, from the president of the industrial development bank and the governor of the bank.

The minister told us that he had some general discussions with the governor of the bank with regard to this whole scheme. I have suggested that it was perhaps a result of the suggestions made by the governor of the bank that these amendments were being put forward to improve the industrial development bank. The minister can tell us whether, as a result of having this general discussion with the governor of the bank or with the bank's officials, he is now able, on reflection, to give us some of the answers for which we are asking. Surely, no one is going to contend that this House of Commons should be called upon to pass this measure without being able to determine how the bank is going to raise this money and what the effect of raising this money, through its investment portfolio or other methods, will have on the general position of the Bank of Canada.

The hon. member for Greenwood says we are making a laughing stock of ourselves. I do not know exactly what interpretation he wished to have placed on those words. I say we will be making a laughing stock of ourselves if this high court of parliament is not able to obtain directly from the Minister of Finance or vicariously through some other means, answers to these questions. These questions are not being put forward merely for the sake of provocation. They are proper questions. Let me tell my hon. friend just how serious this matter is.

When the Industrial Development Bank Act was first introduced the bill was sent to the banking and commerce committee. The governor of the bank of that day, namely Mr. Towers, appeared and he was asked questions along these lines. If it was right to have another means of ascertaining what the information was in these particulars then, is it any less so now when we are raising the capital that will be available for capital purposes fourfold from $100 million to $400 million?

Mr. Macdonnell: It was a new departure then. The situation is entirely different.

Mr. Martin (Essex East): My hon. friend says it was a new departure then and of course he is right. My hon. friend says it was altogether different. I will admit it was a new departure, but I would ask him to look at what this bill is doing. This bill is now going to give credit not to restricted groups in our industrial and economic life. Under clause 1 of this bill any industrial enterprise, meaning an enterprise in which is carried on any industry—not a particular industry but any industry—trade or business undertaking of any kind, will potentially be able to qualify for credit assistance. That was not the situation under the bill which was before the banking and commerce committee and to which the governor of the Bank of Canada at that time addressed himself. As the minister himself said in a statement in chief, this represents a very important departure in the structure of the industrial development bank. When we are theoretically going to properly extend credit potentially to every industrial enterprise and when we are raising the capital to this amount, surely we should be able to ascertain from the bank or from the government exactly how this money is going to be raised. Are we to treat the Bank of Canada as something separate altogether from the operations of the government? That has not been the argument of the Minister of Finance in the last four or five days. He has said, as has the Secretary of State, that the Bank of Canada must be subservient to the will of parliament. How can the will of parliament in this instance be exercised if we are to take the position taken by my honourable and estimable friend the hon. member for Greenwood.

Mr. Macdonnell: Will the hon. member allow me to make a comment?

Mr. Martin (Essex East): If my hon. friend wishes to do so.

Mr. Macdonnell: If we were discussing the advisability of broadening the operations of the bank and if he had questions as to that

matter, I would think that they are important and well worth discussing. But to discuss a technical matter of $25 million for an institution—

Mr. Martin (Essex East): My hon. friend says it is a technical matter. I do not understand his use of the phrase "technical matter" in this context. He says, "What is $25 million?"

An hon. Member: No; he did not say that.

Another hon. Member: That is a Liberal expression.

Mr. Martin (Essex East): At the present time, when we have a deficit for the last budget year of over $350 million and when the Minister of Finance is anticipating a deficit in the coming year of over $600 million—

Mr. Benidickson: Likely $700 million.

Mr. Martin (Essex East): —and when the Canadian Tax Foundation says that the deficit is going to be $700 million, I assure the hon. member for Greenwood that, whatever he may have said, the impression he has created undoubtedly is that $25 million is not to be calculated in the consideration of the people of this country as a vital matter.

Mr. Benidickson: It is a technical matter, he says.

Mr. Martin (Essex East): What is $25 million? I say that $25 million is everything. We are entitled to know from the Minister of Finance how that is going to be raised out of bank assets. It is not only $25 million. That is not the only amount that the bank is going to be called upon to subscribe. My hon. friend says "This is a technical matter". Let us assume for the sake of argument that it is a technical matter. He said that if we were going to ask about other aspects such as, for instance, the enlargement of the concept of the kind of organism that can qualify for credit assistance, that might be a different matter. That, too, is an important matter. Would it not be useful to find out through some other source exactly what kind of industrial enterprise is going to be covered when we say "any industry, trade or other business undertaking of any kind". When you relate this to clause 8—

Mr. Benidickson: Clause 7.

Mr. Martin (Essex East): When one relates this to clause 8 in particular which addresses itself to chronically unemployed areas; not by direct wording but by implication, one can see how important the examination of this matter is with regard to that matter. But surely the important point in principle now is this. We have the Minister of Finance first of all saying that certain information is confidential. He does not explain how it is confidential. He merely makes the assertion. Often his argumentation consists in mere positive assertion. Then he says, in any event, that the determination of the source of some of this credit will be by the Bank of Canada and that it will decide. Are we to take the position that we can pass this bill without having specific answers to these questions? If the Minister of Finance does not feel himself to be in a position to give these answers or if he does not know these answers, then surely the proper thing for him to do is to provide us with a forum in which to obtain these answers. If we cannot have a committee, surely some forum can be provided. I am sure it would be unusual, but I would suggest that we call the governor of the Bank of Canada to the bar of this house and ask him questions about this matter. Let us do that right in this house.

An hon. Member: Ask him to write another letter.

Mr. Martin (Essex East): As a result of the reluctance of this government to confront the governor of the Bank of Canada in a proper place apparently the only way in which we can get any information is through the governor of the Bank of Canada voluntarily embarking upon an epistolographic procedure.

Some hon. Members: Oh, oh.

Mr. Speakman: At the expense of the Bank of Canada.

Mr. Drysdale: Explain.

Mr. Martin (Essex East): For the benefit of my hon. friend from Wetaskiwin, I may say that "epistolographic" means writing a letter. That is the point. I say this to hon. members. Here we are meeting today at a time when the Social Credit party is holding a national convention.

An hon. Member: Go and join them.

Mr. Martin (Essex East): There is no Social Credit member in this party. However, I would just ask hon. members to think of the kind of argument they are going to make, some of them likely within hearing of our very discussion at this moment. They are going to say that here the parliament of Canada was engaged in a discussion of the industrial development bank, that questions were put to the responsible minister of the crown with regard to the source of credit that is going to be made available under this bank to all industrial enterprises that apply for such assistance, and the Minister of Finance said

that he could not give that information as this was a decision for the bank. Because that is a decision for the bank, the minister now takes the position that this house is not going to be afforded an opportunity of finding out from direct confrontation with the governor of the bank what the answers to these questions are. That is the situation. I say this to the hon. member for Greenwood. If there is anything that is laughable or if there is anything that is regrettable, it is the situation into which the intransigence of the Minister of Finance has put us with regard to this very matter. That is the situation.

The hon. member for Greenwood is a very honoured and respected member of this house. I say this to him with the greatest of kindness. He has allowed his judgment in this matter and in other matters during the last few days to be beclouded by the image of the Minister of Finance which he respects and bows to almost at every turn. I do not wish in any way to disturb the beautiful friendship that prevails between the hon. member for Greenwood and the Minister of Finance. The hon. member for Greenwood is an experienced man and he ought not to allow this infatuation to in any way interfere with his good judgment. I do not know whether the Minister of Finance will still regard me as a friend. I wish to say to him that notwithstanding the very harsh things I have had to say about his policies, I have the highest regard for the Minister of Finance personally.

Some hon. Members: Oh, oh.

Mr. Martin (Essex East): I believe that my affection for the Minister of Finance is no less intense than that of the hon. member for Greenwood, but I am not going to let my infatuation for an old friend interfere with my right to exercise independent judgment. I hope the hon. member for Greenwood will, after this reasoned argument, join with the rest of us in recognizing that we have a right to obtain this information.

I cannot understand why the Minister of Finance does not tell us. He knows, I am sure, what will be the source of this money. He knows whether it will be out of the investment portfolio, or what percentage will be out of the investment portfolio.

Mr. Benidickson: It will come from the printing presses.

Mr. Martin (Essex East): The minister knows whether it is going to be provided through other methods suggested, and rather seriously suggested, by the hon. member for Kenora-Rainy River. In any event, there is no other way; we cannot force the minister to give us this information if he does not wish to recognize the reasonable proposals that are put forward. I put them forward, and because I think this matter is so vital I hope my colleagues and I will not be alone—

Mr. Drysdale: You will be after the next election.

Mr. Martin (Essex East): —in our appeal to the minister to recognize this situation. Perhaps the Minister of Veterans Affairs, who is so helpful in these matters, could assist us; perhaps he could persuade the Minister of Finance—who at the moment is engaged in pensive thoughts, which I hope have some relation to this particular matter—to give us this information.

Mr. Macdonnell: Mr. Chairman, I will not try to follow the hon. member for Essex East in his psychological wanderings. I know that no power in the heavens above, or the earth beneath, or the waters under the earth will prevent him from making all kinds of devious political suggestions. I rise purely for one purpose. The hon. member in the course of his wanderings tried to leave the impression that I had referred to the amount of $25 million as a small amount. We think $25 million is a big sum in Greenwood. I wish to make that very clear. My reference to it was purely in its relationship to the large assets of the Bank of Canada. I seek to make that clear, Mr. Chairman, because the hon. member, in his devious way, can leave impressions as he goes along which, innocent as they seem at the moment, are found afterwards to be not nearly as innocent as they appear.

Mr. Drysdale: Beware.

Mr. Pearson: Mr. Chairman, my affection for the Minister of Finance is no less intense and no less discriminating than that of the hon. member for Essex East. Therefore I am emboldened to repeat the appeal that has been made to the minister to give the committee the information on this matter to which we are entitled. After all, as has been pointed out, on March 14, 1944, there was no argument when the bill to establish the industrial development bank was referred to the standing committee on banking and commerce.

The hon. member for Greenwood said that was a very different matter; that was the establishment of the bank. The hon. member knows, of course, that by this bill the functions of the bank are being extended to a point where they are being altered. This is a very important bill. Surely the importance of the bill does justify the kind of examination before the committee for which we have asked. The capitalization of the bank is being

increased by $25 million. The hon. member says this is a technical matter. The doubling of the capitalization of a bank of this kind is more than a technical matter, in conjunction with the enlargement and the extension of its functions.

We ask the minister for information. He cannot give it to us. Therefore we ask that this matter be submitted to the committee where we can obtain the information. He will not do that. If he cannot give us the information, perhaps as we are in committee he could invite—it could be done very quickly; it could be brought into operation in a few minutes—the man who has the information, the governor of the Bank of Canada, to come to the committee and sit in front of him. He could supply the minister with the information to which we are entitled. In that way we would be able to obtain the information to which we are entitled and the minister himself would have a very stimulating experience.

Mr. Benidickson: Who is in front of him right now?

Mr. Fleming (Eglinton): Mr. Chairman, the Leader of the Opposition speaks as though he had been here all evening. Actually, he came in late. Some of his colleagues had asked questions and had been given the information and all the answers—

Mr. Benidickson: Oh, no.

Mr. Fleming (Eglinton): —before he came in. If the Leader of the Opposition has not been informed of that fact, I inform him now. The information was given. But instead of seeking information we have had these repetitious comments.

Mr. Martin (Essex East): Order.

Some hon. Members: Oh, oh.

Mr. Fleming (Eglinton): The purpose of them, obviously, is not to obtain information or dispatch the proper business of the house. Anything but. As the Leader of the Opposition was not here when I answered these questions earlier, let me now say for his information that the additional money required to be provided by the Bank of Canada to increase the capital of the industrial development bank will obviously be provided out of the assets of the Bank of Canada.

Some hon. Members: Oh, oh.

Mr. Pearson: That is a brilliant answer.

Mr. Fleming (Eglinton): The particular assets will be a matter for decision from time to time by the Bank of Canada. It apparently has been completely overlooked by hon. members opposite that it is most unlikely the whole $25 million will be required at one time. That is the reason why the clause provides that the money shall be provided as required from time to time by the board. That is the board of directors of the industrial development bank.

This money will be drawn down from time to time as the credit demands upon the industrial development bank require. The original $25 million capital, if I recall correctly, was not created at one particular time. It was created over a period of time until it reached $25 million and it has continued at that figure for some years now. But be that as it may, I do not think anyone suggests that this additional $25 million is going to be raised all at once. Therefore the clause makes provision for the payment by the Bank of Canada to the industrial development bank of the amount of such subscription—that is the additional $25 million—at such times and in such amounts as the board may determine.

What will happen is that the board of directors of the industrial development bank, as they require the money, will call on the Bank of Canada to provide this additional money by way of capital subscription. At that particular time, in the face of such a request, it will be a matter for decision on the part of the Bank of Canada as to where, out of its various assets, it shall take the money required; whether it shall take it out of its currency holdings or whether it shall raise the money by disposing of some of the assets held in its investment portfolio and using the proceeds for the purpose.

Mr. Pickersgill: It seems to me, Mr. Chairman, it is not merely the question of this $25 million increase in capital but it is also the multiplication of it.

Mr. Benidickson: Five times.

Mr. Fleming (Eglinton): That relates to the next clause, Mr. Chairman. That does not relate to clause 6.

Mr. Pickersgill: I know. The minister need not get excited because I was seeking to save the time of the committee.

Some hon. Members: Oh, oh.

An hon. Member: Why don't you go home then?

Mr. Pickersgill: I was seeking to save the time of the committee by dealing with the one point, which is only one point, on this clause so it would not have to be repeated on the next clause. But if the minister would rather have it raised again on the next clause I will withdraw a few words—

Mr. Martin (Essex East): Perhaps we had better wait until the next clause.

Mr. Drysdale: Carried?

Mr. Pickersgill: Yes. At any rate, even if the $25 million comes down only in dribs and drabs, surely the minister has told us over and over again in the last three years that the Bank of Canada is responsible to parliament, not to the government. If this were a government department and not the Bank of Canada the minister would have his officials here. When we asked questions about its operation he would turn to his officials and obtain the information, because parliament would be entitled to have it. Since it is the Bank of Canada and not a government department the minister says, "There is no way at all in which you can obtain the information". The plain fact is that we are entitled to know what effect this provision is going to have on the total money supply of the country.

It is more compelling that we should know this at a time when certain events are going on—I do not know whether any other hon. member has mentioned it—here in Ottawa. What I mean, is Mr. Caouette or Dr. Thompson prescribing the method by which this additional money supply is to be provided? This is serious business, the question of this very considerable increase in credit. How is it provided? What will be its probable effect on price levels? What will be its effect on the economy generally? Surely, if parliament means anything, if parliament is to exercise that ultimate responsibility which the minister says he does not possess but which he says parliament has over the Bank of Canada and, therefore, over the industrial development bank, then parliament must have some means of obtaining the information which will enable us to make an intelligent decision. The minister says we have just got to fly blind. Surely that is not the way to treat parliament.

Clause agreed to.

On clause 7—*Aggregate liabilities.*

Mr. Benidickson: On clause 7, we go beyond what we were talking about when we discussed clause 6. The minister completely evaded all the questions which had been asked for many minutes and hours in this committee with respect to where the money is going to come from. He has evaded that. He also knows that under the act there is that multiple of funds which can be provided by the Bank of Canada to the commercial banks for an expansionist program, that is, a multiple of 12 to one. But here we are dealing with a multiple of five to one. We have spent some time discussing $25 million. The minister has not indicated in any manner from where that $25 million is going to come. We have said it might come from the sale of some bond holdings by the bank.

Mr. Fleming (Eglinton): Mr. Chairman, we are back on clause 6. This is repetition of what was said on clause 6 which has been adopted.

Mr. Benidickson: We have said—and I am about to conclude, Mr. Chairman—that it might come from the printing press. But now we are dealing with clause 7 and I would draw the attention of all members of the committee to the layman's explanatory notes. This is important, because we received no explanation where the $25 million was going to come from in our discussion under clause 6. It is now, I say, five times more important that we look at clause 7, because the explanatory note to clause 7 says:

> The purpose of this amendment is to increase the authorized borrowing authority of the Bank to an amount not exceeding five times the aggregate amount of its paid up capital and reserve fund.

This committee, under some pressure, has forced the adoption of clause 6 which increased by $25 million the amount that the Bank of Canada could subscribe for stock in the industrial development bank, and now we are on clause 7 where we get this statement that the lending power is five times that amount. The minister has not yet explained in layman's language how the $25 million is to be provided. Will he perhaps attempt on clause 7 to explain whether or not the additional maximum of $125 million is to be raised from the public in bonds that are to be guaranteed by the government of Canada, or whether this sum is to be arranged through the operation of the printing presses of the Bank of Canada?

We remember that the Minister of Finance not long ago deplored, with regard to the unemployment insurance fund, sales of long term holdings of government bonds. Of course, there is a reference here to a reserve fund and the minister might also explain what reserve fund there is, if any, in the industrial development bank. Perhaps the minister would let us know how this $125 million is to be provided.

In other words, if a constituent of mine wanted, say, $250,000 for an industrial purpose under the terms of this act, would the industrial development bank issue a cheque to him? Where does the cheque go? Would the minister explain that to the committee? Where does the industrial development bank get the funds in the first place? And where does every other person wanting $250,000 get the equivalent of $250,000?

Mr. Fleming (Eglinton): In so far as the provision of financial resources to the industrial development bank for lending purposes is concerned, that is clearly provided for under the clause we have dealt with, and

under section 13 of the act and under the clause now being considered. I explained this all very fully when introducing the resolution on June 30. I think the hon. gentleman was here, but evidently he has not absorbed what I then said, so I shall ask him to refer to a paragraph at page 7311 of *Hansard* in the first column.

Mr. Benidickson: Would the minister read it? I think everyone here would be content if the hon. gentleman were to read it.

Mr. Fleming (Eglinton): I said:

> Parliament will be asked to increase the borrowing authority of the bank. The borrowing authority is now limited to three times the aggregate amount of paid up capital and the reserve fund. Briefly, with paid up capital at a level equal to $25 million and a reserve fund standing at approximately $15 million, this means that the borrowing authority now amounts to about $120 million. It is proposed to increase the limit on borrowing to five times the paid up capital and the reserve fund. As a result, and on the basis of a doubling in capital from $25 million to $50 million, the borrowing authority of the bank will reach $325 million. The total resources of the bank, including capital and reserves, will amount to close to $400 million compared with $160 million today. Of course, as the reserve fund builds up from the present level of about $15 million we can expect a further increase in the bank's resources.

It is all fully stated there.

Mr. Benidickson: Five times the 15 as well as five times the 25.

Mr. Fleming (Eglinton): No. Five times 50. As to the machinery for dealing with loans, the application is made to the bank and dealt with by one of the bank's 13 offices in various places in Canada and, after investigation, presumably in the case put forward by the hon. member the loan would be approved. After it had been approved and the title had been searched and the necessary documents completed, the money would be paid over.

Mr. Benidickson: When someone asks me to lend them money I require a deposit, some asset or other form of collateral and then I write a cheque or, in some way, convey to the borrower what is asked for by the borrower. The industrial development bank will be lending $125 million and I should like to know what security will have to be provided by the borrower and what amount is to be decided upon as just enunciated, as well as in what form the borrower receives his money.

Mr. Fleming (Eglinton): The borrower will receive funds from the industrial development bank. It has funds raised either in the form of its own capital or under clauses 13 and 14 by borrowing, and having that money on hand. In this case it pays the money out by cheque as anyone else would do under similar circumstances.

[Mr. Fleming (Eglinton).]

Mr. Benidickson: I think you should go to the Social Credit convention.

Clause agreed to.

Clause 8 agreed to.

Preamble agreed to.

Title agreed to.

Bill reported.

The Acting Speaker (Mr. Chown): When shall the said bill be read the third time, now?

Mr. Benidickson: Next sitting.

Mr. Martin (Essex East): Mr. Speaker—

The Acting Speaker (Mr. Chown): Order. I must put the question, and I ask the hon. member for Essex East (Mr. Martin) to wait until I do.

Mr. Martin (Essex East): I am sorry, Mr. Speaker.

Mr. Fleming (Eglinton) moved the third reading of the bill.

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

Hon. Paul Martin (Essex East): Mr. Speaker, it will not be necessary to retrace the entire portion of the argument which has been made by a number of hon. members sitting in the opposition. However, I should like once again to remind the house of the provisions of this bill in relation to certain officers in the government service. That is, the deputy minister of the Department of Trade and Commerce and the governor of the Bank of Canada. The latter serves as the president of the industrial development bank at the present time and no change is made in clause 3 in this context.

In a matter of importance, such as is presented by this bill, where an attempt is being made to assist all industrial enterprises in the country by affording them increased credit facilities, and on that account the credit to be made available is to be not $100 million but $400 million, we should receive from the administration or its emanations the fullest information as to the policies to be pursued, particularly at a time when the nation is confronted with serious economic problems consisting, among others, of a high level of unemployment.

A proposed attempt to mitigate unemployment by special treatment of special areas in the country is opened under this bill in clause 8 and it would be very useful, I am sure, if we could have a full exposition of all that is intended in this regard. We have not been able thus far to obtain from the Minister of Finance full answers to many of our

interrogations. We have not been able to receive from the minister responses particularly to those questions addressed to the way in which the Bank of Canada is going to raise the necessary funds which the statute imposes up on it, as indeed was the case in the basic act.

The present governor of the Bank of Canada is, as I say, under this amending statute, the president of the industrial development bank. We have been told by the Minister of Finance that the governor of the bank in the usual way provided suggestions and part of the inspiration, at any rate, for this measure. We have not been informed as to the extent of collaboration in the project by the governor of the Bank of Canada although the minister did not deny the suggestion that, in the light of the document written to the minister on February 15 last, the governor of the Bank of Canada had much to do with the framing of this particular series of amendments. We should take the position that the present governor of the bank under our law is still the governor of the Bank of Canada, and it is not open to any member of this house or to any member of the government to suggest what course parliament—by parliament I mean its two houses—will take with regard to the opportunity of further participation in public service by that hon. gentleman. He is the governor of the Bank of Canada and as a result continues to be the president of the industrial development bank.

When the industrial development bank project was first proposed in 1944 the bill went to the banking and commerce committee and the then governor of the bank, Mr. Towers, appeared before that committee and explained its purposes. It is true that marked the first venture in this field in Canada, as we were reminded a few moments ago by the hon. member for Greenwood. However, the enlargement and the increased scope now being provided for the industrial development bank under these amendments to include all industrial enterprises represents such a fundamental departure, and I believe a wise one, that we should have from those in the government service who are qualified to give us the information that further information thus far not given us during our discussions.

I think it would have been very useful if the Minister of Finance had accepted the suggestion of the Leader of the Opposition that some of the questions to which he did not feel disposed to reply, and questions which he thought were not within his sphere of authority, might have been replied to vicariously tonight by him if the governor of the Bank of Canada had been asked, as has on other occasions been done, to take his place in front of the minister to provide answers, as is usually done by deputy ministers or other selected officials when ministers are presenting estimates or putting forward special legislative enactments.

I believe it is in the interests of a further elucidation of this bill that it be sent to the banking and commerce committee at which time we should ask the governor of the Bank of Canada to come before that committee—not only the governor of the bank but one of the new officials in government service who is now to become a new director of the bank namely, the deputy minister of trade and commerce. I think it would be useful if we had these gentlemen and perhaps others give some indication of the scope intended in the programs they have in mind.

For those reasons Mr. Speaker, I move:

That the said bill be not now read a third time but that it be referred to the banking and commerce committee with instruction that the president of the industrial development bank and the directors be invited to appear before the committee for examination on the existing and proposed functions of the said bank.

The Acting Speaker (Mr. Chown): Is the house ready for the question?

Mr. Fleming (Eglinton): Mr. Speaker, I submit this amendment is out of order. On third reading the kind of amendment that is in order is one calling for reference back to the committee of the whole for the purpose of making certain changes in the bill. This kind of motion is of a different nature. It proposes to refer the bill to a standing committee of the house. The proper time for such a motion, of course, is immediately following second reading of the bill or, if it is a case of referring not the bill but the subject matter of the bill, it can be introduced on amendment to the motion for second reading. In my submission it is too late now in our proceedings to bring forward such a motion. It is not a proper amendment to the motion for third reading of the bill.

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, I have not yet had time to find in Beauchesne the exact form but the form is taken precisely from Beauchesne's typical forms with relation to the kind of motion that can be moved on third reading, and that is why it was moved in this particular form. It was felt that with the great weight of Dr. Beauchesne's knowledge of the rules he would not have put a form in the rule book for a motion of this kind on third reading unless it was competent to do so, because it is hardly likely that that distinguished clerk of the house who presided at the table for so long would have sought deliberately to mislead the house.

The minister has not taken the trouble to cite any authorities for his suggestion that the motion is out of order. In his usual fashion he merely stated that such and such is the rule. We know from previous experience with the minister that those pontifical statements that he is so fond of making are nearly always—I will not say they are quite always—wrong, but they are so rarely right as to be the kind of exception that proves no rule.

Hon. Gordon Churchill (Minister of Veterans Affairs): Mr. Speaker, the very distinguished former clerk of the House of Commons, drew his experience and his inspiration from his predecessor, Mr. Bourinot. In Bourinot's fourth edition at page 530, citation XV, you will find this with regard to third reading:

> When the order of the day for the third reading has been read, it is competent to move—

He cites two things that can be done.

> —that it be discharged and the bill withdrawn, or that it be recommitted.

Then he goes on to discuss what had been the practice formerly with regard to suggesting amendments at that stage, but he points out:

> —but of late years the house has followed the modern practice of the English commons, which is stated in a standing order: "No amendments, not being merely verbal, shall be made to any bill on the third reading." Whenever it is proposed to make important amendments, it is usual to move to discharge the order for the third reading, and to go back into committee for the purpose.

That is, the same committee from which the bill has emerged. I think this clearly indicates, Mr. Speaker, that on third reading of a bill it is within the competence of anyone in the house to move that the bill be referred back to the committee of the whole house but not to change a decision of the house which was made earlier, which was that the bill should be studied in committee of the whole house.

The amendment introduced by the hon. member for Essex East has brought entirely new material forward to the House of Commons tonight. His amendment is clearly out of order. There is only one of two things that may be done to this bill. One is to move that it be discharged and the bill be withdrawn. The other is that it be recommitted to the committee of the whole house.

Mr. Martin (Essex East): Will my hon. friend give us the page of the citation.

Mr. Churchill: Pages 530 and 531.

Mr. Browne (St. John's West): There is also a reference on page 288 of Beauchesne, fourth edition, Mr. Speaker.

Mr. Forgie: The expert again.

[Mr. Pickersgill.]

Mr. Browne (St. John's West): Now who is bringing in closure?

The Acting Speaker (Mr. Chown): Order. I might say that I have before me the reference on page 288 to which the Solicitor General is going to address himself.

Mr. Browne (St. John's West): I would point out that it says:

> On the second reading of a bill, an amendment may be moved expressing opinions as to any circumstances connected with its introduction or prosecution, or seeking further information in relation to the bill by committees or commissions, the production of papers or other evidence, or the opinion of judges. This cannot be done on third reading because it is not directly connected with any provision of the bill.

Mr. Pickersgill: May I say just another word, Mr. Speaker, before you make a ruling? I listened with care to what was said by the government leader. The government leader said there were only two kinds of motions that could be made on third reading. One was to discharge the bill and the other was to recommit it. Of course Your Honour must be aware, and I am sure the government leader is aware, that on third reading it is perfectly competent to move the six-months' hoist, and it is perfectly competent to move what is called a reasoned amendment—that has been done very frequently—setting out reasons why the bill should not now be read a third time. What is being done here, of course, is precisely to move a reasoned amendment as to why the bill should not now be read a third time. Our position is that the bill should not now be read a third time because we need more information on which to base our judgment whether the bill should be read a third time.

The Acting Speaker (Mr. Chown): I thank hon. members for their assistance. The authority referred to by the Minister of Veterans Affairs and by the Solicitor General gives me the precedents I require to make this ruling. The only portion of citation 418 which was not referred to by the Solicitor General was the part reading as follows:

> All amendments which may be moved on a second reading of a bill may be moved on the third reading with the restriction that they cannot deal with any matter which is not contained in the bill.

I might use that additional authority to support my ruling. I would judge that the contents of the amendment moved by the hon. member for Essex East did introduce new material and accordingly I must rule the amendment out of order.

Mr. Martin (Essex East): Would Your Honour not agree that it was not new material which was introduced but simply procedure

to deal with existing material? This is really the situation which I put with great respect to Your Honour.

The Acting Speaker (Mr. Chown): That may be so, but I still feel on the basis of the other authorities cited that the amendment is out of order.

Mr. Aiken: Mr. Speaker—

The Acting Speaker (Mr. Chown): The hon. member for Parry Sound-Muskoka seeks to speak to a ruling which has already been made and I accordingly put the question. Is the house ready for the question?

Mr. Fleming (Eglinton): I ask for the yeas and nays, Mr. Speaker.

The Acting Speaker (Mr. Chown): Those in favour of the motion will please say yea.

Some hon. Members: Yea.

The Acting Speaker (Mr. Chown): Those opposed will please say nay. In my opinion the yeas have it.

Mr. Fleming (Eglinton): There are no nays.

Motion agreed to and bill read the third time and passed.

CIVIL SERVICE ACT

Hon. Donald M. Fleming (Minister of Finance) moved that the house go into committee to consider Bill No. C-71, respecting the civil service of Canada.

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

On clause 1—*Short title.*

Mr. Fleming (Eglinton): Several months have passed, Mr. Chairman, since the house gave second reading to this Bill No. C-71, an act respecting the civil service of Canada, and then referred it to a special committee for the purpose of study and report. This committee, under the chairmanship of the hon. member for Inverness-Richmond, has applied itself with great determination and patience to a very important task. I am sure that I simply voice the sentiments of all hon. members of this committee when I pay tribute and express the gratitude of hon. members to this special committee for the study that they have given to this bill.

The report of the committee is set forth at pages 723 to 727 of *Votes and Proceedings* for June 26, where all of the amendments recommended by the committee are to be found. The committee held many meetings. They entertained representations from all of the civil service associations and, indeed, at least several of them were heard on more than one occasion. It may be said, therefore, that the fullest hearing has been accorded to those who are particularly interested in the provisions of the Civil Service Act. I do not need to remind the committee that a great deal of study had been expended in the drafting of this measure before it was introduced at the present session and before its predecessor was introduced in the 1960 session of parliament. The committee has added to that study one of the most intensive studies that I think has been given to any bill for many a year. All those hon. members of this house who served on that committee I think have justly earned and deserve the thanks of hon. members.

I, of course, did not attend the meetings of the committee, Mr. Chairman, except the first meeting and the last. However, I know that hon. members would wish a special word of thanks to be extended to the chairman, the hon. member for Inverness-Richmond. The committee was evidently able to proceed with its duties in an atmosphere of calm and reasonableness, and much of the credit for the conduct of the proceedings of the committee is due the hon. member for Inverness-Richmond.

Now, a question may arise as to the status of the amendments proposed by the committee. I may say, Mr. Chairman, that as the sponsor of the bill in this house I am happy to accept the amendments proposed by the committee to the bill. As we proceed in committee of the whole on the clauses of the bill, the amendments will be moved to the clauses and so far as I am concerned, as sponsor of the bill, I make it very clear I am happy to accept all of the amendments proposed by the committee. I believe they do improve the bill over the form in which it was originally introduced and given second reading.

I know that all hon. members in the present deliberations of the committee of the whole will have regard for the fact that this bill has received, on the part of the special committee, a most thorough examination.

(Translation):

Mr. Caron: Mr. Chairman, we are presented, in the dying days of the session, with a bill that certainly does not have the urgency which is apparently being ascribed to it. Salaries were raised not so long ago, and it cannot be expected that the civil servants will have to come back to the government in the near future, something which would justify the immediate passing of this Bill C-71 before we come back in September.

However, the government has decided that this bill should be submitted to the house before adjournment. Being outnumbered, we shall have to accept.

I agree with the minister that the hon. member for Inverness-Richmond (Mr. MacLellan) deserves to be commended for leading the committee with great intelligence and skill and for managing, despite some rather sharp differences of opinion at times, to maintain an atmosphere of harmony such as does not exist in every committee.

I must say to the minister that when the government has names to suggest for membership in committees, an effort should be made to consider personalities, but whenever we have a chairman such as the hon. member for Inverness-Richmond, we may still meet with problems but there will never be cause for bitter discussions. I therefore wish to thank the hon. member for his courtesy to all hon. members, and particularly to members of the opposition.

The committee met a number of times. We considered the bill very carefully. I must also thank those who appeared as witnesses, such as the members of the civil service commission, the representative of the treasury board and the representatives of the associations, whose specialized knowledge was very helpful. Frankly, without their assistance and support, the situation would have been extremely difficult. I want to acknowledge their ability and generosity in that regard. In some cases, we may have pressed our questions a little too far, but they always answered our questions with equal co-operation and made our task very easy.

We had a statute that had been on the books since 1918. It obviously needed revamping, because it is impossible to tell 50 years ahead of time what is going to happen.

When the first legislation was enacted, Canada was a colony and the civil service was not as large as it is now. In the meantime we had two wars, during which it was necessary to increase personnel.

Since Canada achieved independence and became a free country, our relations with other countries have been extended; this has called for the establishment of a Department of External Affairs which considerably increased the burden of the civil service as far as selection of personnel is concerned. In my opinion the act, even though outdated, has served its purpose well and, until this year, we did not have too much trouble in the matter of salaries and working conditions. This may be due to the fact that, under the previous administration, or the preceding ones, there were people in office who could act with benevolence, who understood the workers, the needs of employees. That is why there may have been discussion with civil servants and their associations, but we never felt the need to seek a set protection provided by law, because we knew how to get along with them and granted them, if not all they were asking for, at least what they were entitled to expect from a government.

There were no secret documents at that time. There was no injustice due to delays in granting salary increases, as happened recently when employees were granted raises, between April and October, that were not retroactive. Those raises applied only from the day the department had decided to grant them, and so, for six months, some civil servants lost an increase they were entitled to expect. Why was this done? I do not know, and no explanation was ever given in that regard. I even wonder whether the minister can explain his delay in the matter.

Only this government could spoil everything and make civil servants suspicious of the government.

The new legislation certainly contains improvements. There are some items which considerably improve upon the old act; they have been seriously considered, but they do not amount to all the improvements the civil servants have a right to expect.

I have here a press release sent by the civil service association's chairman, Mr. Best. This is what he says:

(Text):

C.S.A.C. national President J. C. Best has issued the following statement dealing with the amendments to clauses 7, 10, and 69 of Bill C-71, the revised Civil Service Act. The statement has been approved by the executive committee of the association and represents the official position of the C.S.A.C. The statement said:

"The civil service association of Canada has now studied the provisions of clauses 7, 10, and 69 of Bill C-71 (the Civil Service Act) as amended by the special committee of the House of Commons on June 23. Since passage by the committee more or less assures acceptance by the House of Commons, this association now wishes to record its comments on the clauses which, unfortunately could not be made before the committee.

Generally speaking there can be no doubt that the amended clauses represent improvement over the original forms of clauses 7 and 10. However, the association and its members are disappointed that certain basic principles of our position could not gain acceptance in the committee or from the government. We are as concerned with too rigid legislation as is the government. However, we do not feel that the position we took before the committee requesting negotiation, consultation and arbitration implied any rigidity whatsoever. We viewed these principles as minimum safeguards to the rights of civil servants.

In introducing these amendments the Minister of Finance emphasized the need for good will and good faith on the part of all concerned. With this viewpoint we can readily agree. However, we would point out that such a climate is more readily achieved if the legislation under which we work enumerates certain basic principles which, in our view, are essential to a satisfactory employer-employee relationship within the government service.

Our major area of concern is the lack of definition of what constitutes consultation and whether it is synonymous with negotiation as we view it. We are also concerned that there is no means whatsoever in the legislation to solve fundamental points of disagreement which must, from time to time, arise regardless of how much good faith is evidenced by the parties concerned. We thus feel that the refusal of some constitutionally acceptable form of arbitration will inhibit the staff associations in their representations and will provide additional strains on the "consultative process".

Our other major concern is the government's belief that after so many years we can in effect only now begin to evolve a satisfactory system of dealing between it and its employees on matters concerning salaries, wages and working conditions. In the absence of any indication as to how long the government feels such an evolutionary process should take we are deeply concerned that we may be faced with many more years of struggle to achieve what we feel are legitimate and necessary goals. We do feel that some firm indication is needed on the government's part as to how long it feels this process will take, and when the question of changing the legislation to come closer to our wishes can again expect to be raised before a parliamentary committee. We feel that three to five years is as long as we should be expected to rely on evolution, in view of the long period that has passed without significant change. While we can see validity in a program of gradualism where no precedents exist for guidance, we do not feel that this applies to the present situation.

The civil service association of Canada will do everything possible to assist in working out proper machinery under the act.

(Translation):

As you see, Mr. Chairman, the association was very willing to co-operate with the government. But civil service organizations have some misgivings. Can you blame them for it? Their representatives asked that certain basic protections be included in the legislation. They were not given satisfaction, and they have some misgivings in this respect, because, during the three or four years that this government has been in power, difficulties have always cropped up when these people tried to obtain a salary increase or reasonable working conditions.

In the first case, the civil service commission had recommended not to grant any raises in salaries. The Minister of Finance immediately informed the public of the decision that the requested increases were not being granted.

However, when, on a second occasion, the civil service commission recommended an increase to the department, which submitted the matter to the treasury board, and when an increase had been recognized acceptable and was to be granted, the position was quite different. Nobody in Canada knew what was going to happen. The minister kept his great secret to himself. The report was held to be a document which could not be revealed either to the house, or to the public, or to federal employees.

It was necessary to wait until the government was ready to say, in April, what categories of civil employees would benefit from a salary increase, as from the first of that month; in May, another group of federal civil servants would be granted a raise, but from May 1 and not April 1. In June, another group of civil servants would be granted an increase, but only as from June the first.

That is how the government went about it, from month to month, granting successive salary increases, but never allowing the civil servants to benefit from retroactivity to April 1, which was the date of the first increase which had been granted, so that federal employees lost some of their confidence in this government; and they can scarcely be blamed for it.

As federal civil servants stated themselves, they accepted the situation, but unwillingly. They are not satisfied with the way they were treated by the government, and they cannot be blamed for that either.

In spite of some improvements, civil servants were sadly disappointed. They had hoped to be treated as first class employees; they had hoped that, as in industry, they would be able to meet the government's representatives and discuss their working conditions and salaries man to man, and not as slaves facing a master.

But at that stage the minister decided that there should be no more than consultation, not negotiation. Those civil servants remain second class citizens, because the Minister of Finance decided that he could not grant them the right of negotiating on a basis of equality with their employer.

That is a situation which is not accepted anywhere in the world, in industry, and it is essential that the government recognize that its employees are entitled to meet their employer and to discuss their working conditions and their salaries man to man. The Canadian government had to be the first to withhold recognition of that right.

The Saskatchewan government is known to have recognized that principle. Did the

civil servants in Saskatchewan experience any difficulties? Not in the least. The government and its employees finally agreed on all points, and even if the parties concerned did not obtain all they wanted, they secured a good deal, which enabled them to accept something which did not reduce them to a subordinate standing as human beings.

Why did the federal department reject a request to negotiate? Some officials have stated that the suggestion of the minister had finally been accepted, though it was far from satisfactory, because they had no choice.

The minister indicated that the words "consultation" and "negotiation" meant about the same thing. On this subject, I have here a release issued by the federated association of mail-carriers of Canada, which states:

(Text):

The minister, in his preamble, pointed out that after consulting various dictionaries he was unable to see where the word "consultation" did not meet the same requirements as the word "negotiation". He also stated that he did not favour writing into legislation detailed provisions for negotiation and arbitration.

Whilst the amendment submitted by the minister is, to some extent, an improvement on the original draft of the proposed clause, it does not, in our opinion, give staff associations the protection to which they are entitled.

We fail to see—and we have also consulted dictionaries—where the words "consultation" and "negotiation" are synonymous; on the contrary, we find that there is a vast difference between the two.

When this association submitted its brief it did not suggest that detailed provisions for negotiation and arbitration should be written into the act; we did feel very strongly, however, that the word "negotiation" should be written into the act where it now mentions "consultation",—

(Translation):

Mr. Chairman, I have looked up dictionaries, and this is what I have found:

Negotiator: A person who is appointed to discuss with someone. The negotiators of an alliance.

Negotiation: The act of negotiating important public or private business. That business itself. To break off, to resume negotiations. The act of transferring, of surrendering commercial papers.

Negotiate: To carry on business. To carry on business in the east. Of commercial papers or drafts, to transfer, to pass on to somebody else. To discuss through diplomatic channels or with an individual. To be negotiated, to be the subject of negotiations.

On the other hand, Mr. Chairman, this is what the dictionary has to say about the word "consultation" and its derivatives:

Consultant: A person who gives advice, as a lawyer, a doctor. One who seeks a consultation.

Consultation: The act of consulting. The study of a case by one or more lawyers, of a patient by one or more doctors. Advice given by lawyers, doctors. A conference held to consider a case.

[Mr. Caron.]

Consult: To seek the opinion of someone. To consider in order to gather information, an explanation. To consult a book. To confer, to deliberate. They are consulting each other. To give consultations. To consult oneself, to deliberate within oneself.

It can be seen that, in one case, the word "consult" means to parley, to hold parleys, while "negotiation" means to parley for a specific purpose, and it is precisely what the postal employees and employees in the other divisions of the civil service have asked for—the right to negotiate rather than the right to consult.

Besides, as far as the principle of consultation is concerned, whether the minister inserts it in the act or not he has granted nothing more to them, for there has been consultations in the past. In fact, whenever government employees have had the privilege to parley with the authorities, those of course were consultations; but that was all. They met with the authorities of the department and explained their problems. The authorities acknowledged the explanation of the problems, dismissed the employees and held discussions among themselves and the civil servants were not informed of what had happened.

On the other hand, when negotiations are held the representatives remain together to the end and they are there and know what the employer's final decision—in this case the government's decision—will be.

That is what they want to know. Therefore, there should be more co-operation between the two parties, so that the civil servants know, before being kicked out, what has been the final decision reached by the government.

They want to know where things stand and what other representations they might make in case they did not get satisfaction.

There are also a number of strange things in the bill before us.

For instance, the civil servants have asked that the word "grievance" be defined. The committee, with the support of its majority, has refused this suggestion. I later made the same suggestion myself, and was told this was not necessary, as the wording was clear enough. As a result, I have come to wonder whether lawyers do not have a special purpose in mind when they say everything is clear. In fact, I wonder if this is not a way of getting more cases and providing for longer and therefore more profitable discussions. I wonder if that could be their purpose.

The civil servants have asked for a clear definition of the word "grievance". They were told no, there was no need for that, as everyone knew what it meant.

Yet there are many definitions in the bill, but when it came to the word "grievance", the government objected.

Those people only asked that the word "grievance" be described as such. A grievance is a reason alleged for a complaint. It would have been easy for the minister to accept that the simple word grievance be defined.

It might have made the bill clearer. Perhaps it would have been repetitive. I do not think so, not being afflicted with the quirks of the legal mind. It would probably be a clarification involving repetition, as lawyers felt it was clear. It seems to me, however, that in the circumstances, the simple word "grievance" might have been made clear, as this would have clarified the bill. Besides there is always room for improving a rather confused situation.

Confidential reports and delays of applications which cause unfair losses with this new word "consultation" instead of "negotiation" will again arise. The government will again be faced with the same problems, though it can ill afford such problems.

Indeed the government does not have to wait for its pay to survive; it is not the government that suffers from working conditions; it is the employees.

The employees are the ones who suffer. They are the ones who want to remove the causes of friction and the difficulties they have been faced with, and have them replaced by smooth discussions, so that when a final settlement has been reached, they will be able to say to the government: Here is what we suggest. We have had discussions with the staff and have reached an agreement. We now ask parliament to refuse or accept the decision reached by the government as a result of discussions with its staff.

The minister has referred to arbitration. He referred to it as something highly dangerous. He said he opposed it because he wanted to protect the rights of parliament.

It is rather astonishing to hear such words from the minister—to protect the rights of parliament. Indeed, since 1958, we in the opposition have many times had occasion to complain that the rights of parliament were disregarded by this government, who often took advantage of its overpowering majority to disregard our legitimate requests, to refuse to produce documents we needed, to turn down our suggestions that matters be referred to committees, to refuse to bring forward its legislation in time so that we could study it, to refuse to announce the business for the session.

And now the minister rises and says he wants to protect the rights of parliament.

When it comes to minor employees who cannot defend themselves, oh, they want to protect the rights of parliament. Members of parliament can easily protect themselves when their rights are interfered with.

Civil servants cannot take such steps. If they raise their voices, their employer can make trouble for them.

That is why I say the act could have been improved. Civil servants should have been given collective bargaining like provincial employees have in Saskatchewan. There has not been more trouble in that province; in fact, there has been less than here. Why?

Because that provincial government has gained the confidence of its employees, while, here, the present employees of the various services or various associations no longer trust the government. The reason is that they have been unfairly treated in the past three or four years, that is, since the present government came to power.

Parliament's rights would not be threatened if we accepted or encouraged bargaining.

The only case where the rights of parliament could be threatened would be if the minister arbitrarily decided to grant salary increases without consulting parliament or without previously asking the latter to approve the necessary funds.

When parliament is consulted with respect to decisions which have already been taken and which involve the government and some other body, be it a civil servants' organization, a provincial government or a foreign government, it cannot be said that there has been encroachment upon the fundamental rights of parliament, because in all those cases, the government has come to an agreement.

One example of that is the agreement between the Canadian government and the United States government on the South Saskatchewan river dam. Was there any encroachment upon parliament's rights because that agreement was signed before it was submitted to parliament? Did we take offence? No, because we knew that sooner or later parliament would have full opportunity to discuss it and that it would have a final say in the matter.

In this case, naturally, giving bargaining rights to employees would in no way threaten or challenge parliament's prerogatives because if there were a dispute, they would just

submit their case to an independent body which would hear the evidence and submit its recommendations to parliament. Those recommendations would either be endorsed or turned down.

There has been some talk about the employees' right to go on strike. Only one association mentioned it but did not insist.

In fact, civil servants already have that right since anything which is not specifically prohibited is permissible.

Now, nothing in the previous act prohibits civil servants from going on strike. The same situation prevails in England.

Yet, civil servants have not taken advantage of that right.

Nothing in this bill forbids employees from going on strike; therefore, they still have that right since there is no prohibition in that connection. Consequently, civil servants have the right to strike.

At any rate, that is idle talk because civil servants neither have the intention nor the desire to call a strike.

Most staff organizations, the civil service association of Canada, the civil service federation of Canada and the professional institute of the public service of Canada have stated most emphatically that they have no intention of calling strikes or of taking advantage of their right to do so regardless of whether or not it is in our statutes.

I might add that it is not in their interests to go on strike since they have other means at their disposal, especially if they are given bargaining rights.

Those recommendations have been turned down. Why? I could not say. Certain lawyers say that the answer is obvious even though they feel a need to discuss the point. They fear repetitions; yet, that would be conducive to a clarification of this matter.

It was said that this is obvious; still, lengthy discussions took place, questions were asked and long talks were held. However, when asked to tell exactly what would be the prevailing rates, they refused to answer saying it was clear.

There were ten members in attendance, and five of them were not of that opinion. As a matter of fact, the commission's interpretation was often at variance with that of the members of the committee.

It is quite clear that there was a lack of precision there. A text should be given the meaning it should have.

A bill does not have to be a piece of literature but still it must be clearly worded, even if repetitions are involved.

That is why it would have been better for some points to be clarified.

As far as prevailing rates are concerned, I think it was wrong not to accept the suggestions made by the spokesmen of the association.

Another feature of this act which may be criticized is the fact that it grants too full powers to deputy heads. Already those powers were not inconsiderable, yet they are further extended. The deputy heads may do as they wish in order to crush any employee they dislike, because they are sole masters according to the commission and the government. Such a situation should not exist under a civil service act.

I suggest that the powers given the deputy heads and their responsibilities should be limited; that the commission should have the last word—

The Chairman: Order. I regret to interrupt the hon. gentleman but his speaking time is up.

(Text):

Some hon. Members: Carry on.

The Chairman: Does the committee agree that the hon. member be allowed to proceed?

Some hon. Members: Agreed.

(Translation):

Mr. Caron: Thank you, and I also thank the committee for allowing me to continue. I hope I will not be too long.

Deputy heads have powers that are too extensive while the commission gets too little. I think that powers should be given the commission. In fact, the commission deals with individuals that it does not know. Not knowing them, it can examine the matter objectively without saying: "This is the case of So and So; I do not like the looks of him." We often meet people we dislike at first sight. Well, deputy heads are no exception. The civil service commission sends a man over but as he does not like the looks of the applicant, he sidetracks him and, at the first opportunity, the commission manages to fire him on the pretence that he does not give satisfaction. I think that deputy heads are granted too much power. I am sure that, even in the ranks of the government members, there are people who agree with me on this subject. I met some in the committee who

felt the same as I do. The powers of the deputy heads should be limited, and those of the commission should be increased, because in the last analysis, it is the commission that cannot feel any bitterness against any one.

I also think that too much power is given the governor in council. That is a natural tendency with the Tories which we cannot countenance. The governor in council reserves too many powers to himself.

When considering this bill, clause by clause, we will have an opportunity to submit amendments to this effect. That the governor in council has some rights, I admit, but those rights should be limited. They should be well defined, so as to avoid all risks of overriding the powers of some other group. That is why we should be careful when granting such extended powers to the governor in council.

Something else is lacking in this legislation, which is not made clear, because it is claimed this has been handed to the commission to draw regulations therefrom: it is the rights of appeal which are not properly defined. Even if this is included in the regulations, and even if the regulations are considered in consultation with employees' associations, I suggest it would be much clearer if it were provided in the act that certain points may constitute cause for appeal in order to protect the lower civil servant who, often, is the victim of more important people who take advantage of their position—they are those whom we usually call beggars on horseback—to oppress those around them. We often see petty officials who, having climbed the social and official ladder, lose all notions of decency and crush everyone under them. I suggest we should provide for such cases in including very definite rights of appeal in the act.

There is another case which has not been corrected, and which should have been. It is that of veterans. The protection we had provided for them, under the former act, is included in the new one. But neither the former act nor this one provide any recognition for those who served in the army but remained in Canada, against their own wishes, because their special knowledge was required for some work in Canada rather than in Europe or elsewhere. To those veterans is denied the right of preference over others. You may say: "Of course, but the others, it is them who decided to risk their lives abroad." But, they too were prepared to go overseas to risk their lives. But they were kept in Canada because they were needed here. All the same those soldiers had some merit, but it is not recognized. A new act is enacted which completely ignores those who stayed in Canada. I claim that the government should amend the act to give those veterans some advantage, not as much as for the others, but when they pass an examination they should be allowed an advantage of 10 or 15 per cent so that they may have a better chance of being eligible for the civil service.

Those are a few of the amendments which could be moved.

However, notwithstanding the briefs of the conseil de la vie française and the St. John the Baptist Society, I say that there has been no improvement introduced as far as bilingualism is concerned. Confederation is almost 100 years old and we are still treated as the poor relations of the majority. Is it normal that after some 100 years of common existence, we should still be considered as poor relatives? I would have thought that after 100 years, we should know each other well enough and understand each other well enough that prejudices would no more exist.

At present, does the bilingual individual, either French or English, have any advantage? If he is bilingual, he should be considered superior to others. We generally recognize that the minority becomes superior, and that is a necessity imposed by nature. In every country where there is a minority and a majority, we know that the minority, due to its condition, has to become intellectually superior to become the equal of the majority. That we recognize.

I am not asking that everyone learn French or that everyone learn English, but when one knows both languages, he should enjoy special consideration. I suggest that those who are bilingual should get special consideration and this would encourage the study of both languages. In fact, if in a civil service competition a candidate can say he knows the spoken language of the other part of the country if not its written one I say he should be granted at least 5 per cent more than the others who cannot do as well, so that he may have a better opportunity of earning and promotion. This would favour all those who care to study another language. Even when it is not definitely necessary, they could do it as a means of improving their cultural standards.

Besides, the hon. member from Timiskaming (Mr. Peters) suggested in committee—and

I entirely agree with him—that the civil service organize both a French course and an English course for those who do not have adequate knowledge of the other language to help them to be prepared for better positions. I think that suggestion should be most seriously considered. For the time being, I will not move an amendment in that regard, because I know it would mean immediate expenditures and under the rules, I cannot move neither in the house nor in committee, an amendment that would result in an additional expenditure. But I do hope the government will continue to give consideration to that matter in order to encourage people to further their intellectual development. I am sure that by granting a 5 per cent more to those who would be able to show in a competition that they know the two languages spoken in this country, we would reach this objective. In this way, the act would be amended in such a way that everybody, and especially the civil servants, would be satisfied, because they would be the ones to suffer if the act were not satisfactory and were left as long as the old act without being amended. At that rate, many of those employees would be dead a long time before ever seeing their lot improved.

Well, I ask the government if it will consider it carefully.

As far as bilingualism is concerned, here is a recent development. Notice had been given of a promotion competition for the office of director of district No. 2 which includes part of the country of Pontiac, the counties of Gatineau, and of Hull, part of the counties of Labelle, Argenteuil, Russell, Stormont, Ottawa East and Ottawa West, as well as many neighbouring counties. There are a great many French speaking Canadians in that district, and I asked the minister why a bilingual employee was not required for that office. He replied that this was not necessary, since the district includes an important part of Ontario, and therefore a bilingual employee was not required. Nevertheless, while we are dealing with a postal district, even where post offices might not be as important as those in Montreal, Toronto or Ottawa, such opportunity could well have been taken to require that a bilingual director be appointed. Many people are qualified for that office. But no: it was decided that this was not necessary. And the minister told us the other day that the decision was the responsibility of the civil service. That statement is wrong: such decision does not come from the civil service, but from the officials of the Post Office Department who decide which qualifications will be required, and the civil service sets out its competition according to those requirements. Therefore, the department has the right to ask for a bilingual director, be it a French speaking or an English speaking person, provided it is a bilingual employee.

When the mail-carrying service was inaugurated at Gatineau, they had to call upon a bilingual official from Montreal, because the head of the service in Ottawa could not speak French. They realized thus that bilingualism is a necessity; and yet, they did not think it advisable to remedy the situation.

Mr. Chairman, I am sorry I took up more time than was kindly granted me by the house. We shall have occasion to take the matter up again and propose amendments to several clauses.

(Text):

Mr. Hicks: Mr. Chairman, would the hon. member permit a question? Was the hon. member speaking of the civil service or of his relatives?

Mr. Caron: That is a fine question but I suggest you should direct it to the Minister of Finance, because I would not stoop that low. Some of my relatives may be in the civil service—

Mr. Hicks: Some of mine are too.

Mr. Caron: Yes, some of your relatives may be in the civil service too but I am not responsible for that. I can tell you this: if some members of my family are in the civil service they are there of their own accord, because I did not give them recommendations. I can state that I do not intend to give any member of my family a recommendation for employment in the civil service.

Mr. Peters: Mr. Chairman, as a member of the committee I am happy to report that no such suggestion was discussed there. The proceedings of the committee were not conducted on the level of the last question.

I should like to congratulate the chairman of the committee because I think he did a good job as chairman. He understood the problems that were being discussed. He was lenient with the points of view with which he did not agree, and if there was an honest difference of opinion in the committee he was willing at all times to allow the matter to stand over to see whether some compromise could not be worked out. I think this is the kind of job that a chairman should do and I was certainly pleased to be a member of that committee. I highly recommend the hon. gentleman to the government as an excellent and capable chairman.

The remarks that I have to make cannot be made in the light of whether I have relatives in the civil service because to the best of my knowledge I have none. Very few civil

servants in my riding are in the category of office staff. With the exception of a very limited number my riding does not consist of civil servants. Therefore, I was interested in this matter not on the basis of patronage, not on the basis of what we could get out of it but rather on the basis of what we could put into the committee to accomplish what we all really want, namely the best civil service and the best possible agreement for those civil servants because this is the way to establish a very active and effective civil service body.

In my opinion the members of the civil service commission who attended on a number of occasions were very co-operative in their replies. They were willing to discuss in very broad and effective terms the matters that fell within their jurisdiction.

I agree with the previous speaker with regard to the presentation of our regional arguments having to do with improvement in the civil service. That problem still remains with us. I refer to the matter of whom the civil servants negotiate with, what type of relationship exists between the civil service commission and the civil servants themselves, the civil service associations and representations. I believe this is the crux of the disagreement between the government and the opposition. This is also the reason why the Civil Service Act was opened up at this time. As has been said, there is at the present time no disagreement over salaries or wages but there will continue to be a disagreement if the same type and method of negotiation is continued that took place at the time the civil servants received their last pay increase. I believe the civil servants themselves have the right to know with whom they negotiate, how they negotiate with whatever body is selected for negotiation and what results come from those negotiations. It is still confusing in my mind and I think in the minds of most Canadian civil servants as to whom they negotiate with.

This matter is not nearly as simple as if you were negotiating with management in a plant where you might find that the management really did not have any say because there was a board of directors over that management. But in that case you do know that the representations you make to management in those negotiations are referred to the board of directors. In the case of civil servants' negotiations I am not too sure with whom they are negotiating and I am sure that they are not. We heard such terms kicked around as the governor in council, the treasury board, the civil service commission and the parliament of Canada itself. I think that in solving some of the problems that have been apparent over the past three years we will have to make a change. This is not one of the changes that has been suggested but we shall have to make a fundamental change so the civil servant and his association will know how to proceed in negotiating under the normal procedure commonly referred to in other acts administered by the federal government. I refer specifically to the Industrial Relations and Disputes Investigation Act.

In other countries civil service commissions have been given authority to make representations in relation to pay and to other conditions of work. They make those representations after having consulted with the associations that represent the employees. When they make those representations to the government, or to the cabinet, a decision has to be arrived at at that level. The governor in council will decide on behalf of the government and of parliament what pay increases will be granted to the civil servants. But in most cases that I have examined where the commission was the equivalent to the civil service commission in Canada, those representations were made public and everyone knew what were the suggestions of the civil service commission and on what grounds the submission had been made. Thus the civil service commission retreats from the negotiations because they become political on the one hand and a matter for decision by the members of civil servants themselves through their associations. Negotiations should take place on that level. I think this has not been done by this government. It probably has not been done by any government in Canada in the past. It seems to me this is the crux of the question of a need for change in the Civil Service Act.

Will you call it 10.30, Mr. Chairman.

Progress reported.

BUSINESS OF THE HOUSE

Mr. Chevrier: May I ask the house leader what the business will be for tomorrow and Saturday?

Mr. Churchill: The order of business depends to a large extent on whether it will be possible to reach an adjournment on Saturday. But tomorrow government orders will follow in this way, subject to notification to the opposition in good time if it is necessary to make any change: The first item on the order paper, the third reading of Bill C-114; the second item, Bill No. C-71, respecting the civil service of Canada; and, third, the bill pertaining to the C.N.R. financing. The fourth item will be Bill No. C-120, to amend the Income Tax Act.

Business of the House

I do not know how far the house will get tomorrow. The other items that we have for consideration in the happy event of an early adjournment are the resolution stage of the dominion-provincial fiscal relations legislation which is on the order paper and an appropriation bill dealing with the supply that has already passed the house. We have 11 departments that have passed through the committee. The appropriation bill would deal with just those matters. They would be followed, then, by interim supply, if the house approved, dealing with the departmental estimates that we have not yet concluded. Those appear to be the matters for consideration of the house, if things turn out tomorrow as many members hope they will. If there is a prolonged debate somewhere tomorrow on one of these items, I would hesitate then to forecast what would be the business for Saturday.

It being 35 minutes after ten o'clock, the house adjourned, without question put, pursuant to special order.

ANSWER TO QUESTION

The following answer, deposited with the Clerk of the house, is printed in the official report of debates pursuant to standing order 39:

BOMARC BASE, MONT LAURIER—TENDERS

Question No. 274—**Mr. Herridge:**

1. Have tenders been called for the initial construction of the Bomarc missile launching base near Mont Laurier?
2. If so: (a) on what date? (b) what were the terms? (c) what firms were invited to tender? (d) what firms tendered? (e) what bid was made by each?
3. Has a tender or tenders been accepted?
4. If so: (a) on what date? (b) which one?

Answer by: **Hon. Raymond O'Hurley (Minister of Defence Production):**

1. Yes.

2. (a) January 15, 1960. (b) Firm price. (c) See attachment A. (d) See attachment B. (e) See attachment B.

3. Yes.

4. (a) July 29, 1960. (b) A. Janin & Co. Ltd., Montreal, Quebec, the low bidder.

ATTACHMENT "A"

Contractors Invited to Submit Tenders for Construction of Supporting Facilities for R.C.A.F. Bomarc Site, La Macaza, Quebec.

Anglin-Norcross (Quebec) Ltd., Montreal; Angus Robertson Ltd., Montreal; Atlas Construction Co. Ltd., Montreal; Byers Construction Co. Ltd., Montreal; Canit Construction Quebec Ltd., Montreal; E.G.M. Cape & Co. (1956) Ltd., Montreal; Deschamps & Belanger Ltee., Montreal; Louis Donolo Inc., Montreal; Dufresne Construction Co. Ltd., Montreal; Fraser-Brace Engineering Co. Ltd., Montreal; A. Janin & Co. Ltd., Montreal; Key Construction Ltd., Montreal; Peter Kiewit Sons Canada Ltd., Montreal; Robert McAlpine Ltd., Montreal; McNamara (Quebec) Limited, Montreal; Northern Construction Co. & J. W. Stewart Ltd., Montreal; H. J. O'Connell Ltd., Montreal; Pentagon Construction Co. Ltd., Montreal; Perini Quebec Inc., Montreal; Piggott Construction Co. Ltd., Montreal; C. A. Pitts Construction (Quebec) Limited, Montreal; Quemont Construction Inc., Montreal; Simard & Freres Cie Ltee., Montreal; J. D. Stirling Ltd., Montreal; Terminal Construction, Div. of Henry J. Kaiser Co. (Canada) Ltd., Montreal; J. L. Guay & Frere Ltee., Montreal; Mannix Co. Ltd., Montreal; Magloire Cauchon Ltee., Quebec, P.Q.; Komo Construction Ltd., Quebec; Cimota Construction Corporation Ltd., Quebec; Hill-Clark-Francis (Quebec) Ltd., Noranda, P.Q.; La Societe d'Enterprises Generales Ltee., Amos, P.Q.; Belle Construction Ltee., Isle Maligne, P.Q.; Gregoire Perrault Inc., Joliette, P.Q.; L. O. Trottier & Fils Ltee., Cap-de-la-Madeleine, P.Q.; J. R. Theberge Ltee., Chicoutimi, P.Q.

Question

ATTACHMENT "B"

List of Contractors Tendering on Construction of Supporting Facilities for R.C.A.F. Bomarc Site, La Macaza, Quebec

A. Janin & Co. Ltd., $4,911,151.15; Piggott Construction Co. Ltd., $5,156,505.93; E.G.M. Cape (1956) Ltd., $5,167,508.00; Pentagon Construction (1959) Ltd., $5,208,991.87; Robert McAlpine Ltd., $5,290,623.26; J. L. Guay Limited, $5,315,160.34; Henry J. Kaiser Co. (Canada) Ltd. & Raymond International Ltd. (a joint venture), $5,343,343.12; Perini-Komo Construction Companies (a joint venture), $5,357,130.00; Anglin-Norcross Quebec Ltd., $5,499.022.78; Northern Construction Company and J. W. Stewart Ltd., $5,614,594.43; McNamara (Quebec) Ltd. and Community Enterprises Ltd. (a joint venture), $5,760,-000.66; Quemont Construction Ltd., $6,250,-988.26.

HOUSE OF COMMONS

Friday, July 7, 1961

The house met at 11 a.m.

SPEECH FROM THE THRONE

ACKNOWLEDGMENT OF ADDRESS IN REPLY

Mr. Speaker: I have the honour to inform the house that I have received a message from His Excellency the Governor General, signed by his own hand, reading as follows:

Government House, Ottawa
5th July, 1961

Members of the House of Commons:

I have received with great pleasure the address that you have voted in reply to my speech at the opening of parliament. I thank you sincerely for this address.

Georges Philias Vanier.

RAILWAYS, AIR LINES AND SHIPPING

Second report of sessional committee on railways, air lines and shipping owned and controlled by the government—Mr. Smith (Simcoe North).

BUSINESS OF THE HOUSE

INCOME TAX ACT—NOTICE OF AMENDMENTS IN "VOTES AND PROCEEDINGS"

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, may I inform the house that I will be placing on *Votes and Proceedings* today certain amendments to the bill to amend the Income Tax Act. To ensure that hon. members opposite will have earlier notice of the text of the amendments I will be sending copies over to them.

FINANCE

REPORTED WITHDRAWAL OF FOREIGN INVESTMENTS

On the orders of the day:

Hon. Lionel Chevrier (Laurier): Mr. Speaker, may I direct a question to the Minister of Finance and ask whether he has taken notice of an article appearing in the Toronto *Globe and Mail* of July 7 entitled:

Europeans sell Canadian investments

The article continues:

Swiss and other Europeans have been withdrawing millions of dollars worth of investment funds from Canada during the past week, fearing inflation and lower bond prices are in store for the country later this year.

This statement has been made by Mr. Walter Keyser of Gairdner and Company, Toronto. I would ask the minister whether the statement is accurate, and if he has any comment to make upon it.

Hon. Donald M. Fleming (Minister of Finance): I have not seen this article, I would, however, make this comment upon the observations of the hon. member for Laurier. There is no reason whatever for anyone to be fearful of inflation. The policies which the government follows and will continue to follow will be aimed to expand production and employment opportunities in Canada without disturbing the purchasing power of the Canadian dollar.

As far as bond prices are concerned, I might point out that since the budget was introduced on June 20 the bond market has been stronger than it was previously, and that the effect of the strength of the bond market has, of course, meant a corresponding reduction in interest yields.

Mr. Chevrier: May I ask the minister a supplementary question. Is it a fact that the exchange stabilization fund has purchased between $30 million and $40 million in Canadian dollars this week to keep the Canadian dollar from falling sharply?

Mr. Fleming (Eglinton): It has never been the practice in this house to disclose individual transactions or transactions from day to day of the exchange control fund. There are statements issued periodically which indicate the balance in the fund, but it has never been the practice at any time since the institution of this fund to indicate particular transactions from day to day or particular balances over short periods.

Mr. Erhart Regier (Burnaby-Coquitlam): Is the government in a position to announce what its plans are as to the financial needs of the government in the field of borrowing, and thereby restore some stability to the market?

Mr. Fleming (Eglinton): The hon. member is evidently not acquainted with the market, because there has been more stability in that regard since June 20 than there was previously. With regard to the plans of the government with reference to the financing and meeting of its cash needs, I announced those plans, as is the custom, in the budget speech for the period covered by the present budget. As to particular issues from time to time,

it has never been the practice to announce those individually until a particular issue is about to become available.

[*Later:*]

On the orders of the day:

Mr. W. H. McMillan (Welland): I should like to direct a question to the Minister of Finance. In view of the reported heavy selling of Canadian securities by foreign investors, does he still deny my prediction in this house on August 10 last—

Mr. Speaker: Order. I think the hon. member heard an earlier question along the same line, and as he continues it seems to me he is more intent on making a point than on getting information. I recognize the hon. member for Trinity-Conception.

Mr. McMillan: I want to ask the minister if he still agrees that there has been a flight from the Canadian dollar.

Some hon. Members: Order.

(Translation):

CANADIAN NATIONAL RAILWAYS

INQUIRY AS TO PARTICIPATION IN TRUCKING INDUSTRY

On the orders of the day:

Mr. Alfred Belzile (Matapedia-Matane): Mr. Speaker, I should like to direct a question to the Minister of Transport following a telegram I received this morning from the secretary of the Trucking Association Inc., which reads as follows:

Mr. Alfred Belzile, M.P.
Ottawa, Ont.

Are informed C.N.R. is asking Quebec provincial transport board to acquire trucking companies stop We protest against railway interference in field of private enterprise stop On behalf of our members urgently request your intervention in favour of private enterprise against state monopoly.

(signed) Romeo Blouin

(Text):

Mr. Speaker: Order. The hon. member is reading a telegram which gives certain information. If he has a question, would he please ask it.

(Translation):

Mr. Belzile: Yes, Mr. Speaker. Could the minister inform the house as to whether it is official that the C.N.R. intends to compete with private enterprise in the field of highway transport?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, that is a decision for the authorities of the C.N.R. However, I should like to assure my hon. friend that I will pass on to the C.N.R. officials the representations he has made in that connection.

Mr. Gerard Loiselle (St. Ann): Mr. Speaker, could the minister take that opportunity to impress upon the C.N.R. that it should not enter a field which belongs to private enterprise, especially the trucking industry?

Mr. Balcer: The final decision as to whether or not the C.N.R. will be allowed to purchase or operate a trucking business in the province of Quebec, rests with the Quebec transport board.

Mr. Alexis Caron (Hull): Mr. Speaker, I should like to ask a supplementary question. If the C.N.R. takes over that trucking company, would it be possible to request the management not to indulge in a price war with private enterprise?

Mr. Balcer: Mr. Speaker, my information is that the C.N.R. does not engage in a price war with private enterprise but rather in a fair competition with other carriers.

(Text):

LABOUR CONDITIONS

SPRINGHILL, N.S.—REQUEST FOR PROVISION OF WORKS PROJECTS

On the orders of the day:

Mr. R. C. Coates (Cumberland): Mr. Speaker, I should like to direct a question to the right hon. Prime Minister. Is the Prime Minister in a position to comment in respect to a telegram he received from the Springhill citizens' industrial committee?

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, that question was asked as well by the Leader of the Opposition. I received a telegram from Mr. A. J. Mason, chairman of the citizens' industrial committee of Springhill, Nova Scotia, much along the lines of the suggestions that have been made in whole or in part by the hon. member for Cumberland earlier.

At the time I received this telegram referring to the special measures that were being taken by the federal government in the Cape Breton area to assist in providing jobs for the coal miners affected by the mine closures, a request was made that a similar program be introduced at Springhill because of the mine closures in that area and the fact that some of the miners were unemployed. The house will recall that the closing of the Springhill mines occurred several years ago, and at that time special measures of various kinds were taken, including assistance to coal miners in finding employment elsewhere.

On June 23 I made the following reply to Mr. Mason:

Your telegram of recent date has been receiving attention. As you know a new penitentiary has been established and a new mine opened at Springhill recently. In addition the Springhill area has this month been designated by order in council as a surplus manpower area in which double depreciation will be allowed for income tax purposes to new industries. Any further measures that may be taken from time to time by the government of Canada will be announced.

I received a further telegram from Mr. Mason on July 3 repeating the request of the earlier telegram and asking that the federal government provide assistance in the construction of a new hospital and a vocational training school, and for the establishment of a national park in the area. Furthermore, it was also requested that the Canadian National Railways take over from Dosco the spur line between Springhill and Springhill Junction.

Apart from the special measures of assistance mentioned in my telegram to Mr. Mason, the Department of National Health and Welfare has approved a hospital grant in the amount of $178,360 to the All Saints' hospital corporation. The question as to whether a vocational training school should be built in the Springhill area is a matter for the provincial government in the first instance, although, as the house knows, special legislation passed during this session is applicable to suitable vocational training schools anywhere in Canada.

As to the railway spur line, it is being studied by the Department of Transport, the Canadian National Railways and the government of Nova Scotia. I should add further that my colleague the Minister of Public Works recently announced plans for the construction of a new federal building at Springhill.

Mr. Coates: Mr. Speaker, I should like to ask a supplementary question directed to the Minister of Transport. I wonder whether he could make any comment in respect to negotiations between his department and the other parties concerned with regard to the spur line between Springhill Junction and Springhill.

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, I am very pleased to be able to announce to my hon. friend that after his many and repeated representations my department has come to the following conclusion, and I am writing to Premier Stanfield today in this regard. The Department of Transport is prepared to take title to this railway line, and we will arrange for any continuing maintenance necessary as long as the province is prepared to underwrite this maintenance financing.

Inquiries of the Ministry

TRANS-CANADA AIR LINES

REQUEST FOR REPORT ON LABOUR DISPUTE

On the orders of the day:

Mr. Frank Howard (Skeena): May I direct a question to the parliamentary secretary to the Minister of Labour or to the acting minister, and ask whether any information can be given to the house about the progress of negotiations between Trans-Canada Air Lines and the Canadian air lines flight attendants association.

Mr. R. D. Thrasher (Parliamentary Secretary to the Minister of Labour): I do not think anything can be added to what the minister said the other day.

HOUSE OF COMMONS

PRESENCE IN GALLERY OF NATO PARLIAMENTARIANS

On the orders of the day:

Mr. Louis Fortin (Montmagny-L'Islet): May I direct a question to the Prime Minister. Is the Prime Minister aware of the presence in the gallery of members of the standing committee of the NATO parliamentarians' conference who, for the first time in North America, are holding an official meeting in Ottawa?

(Translation):

The Prime Minister undoubtedly sees those distinguished visitors in the diplomatic gallery.

(Text):

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, I thank my hon. friend for pointing out this very obvious fact. By the reception given by hon. members the welcome has been fully indicated.

I may say that I was a member of the earlier NATO parliamentary association. The Minister of Citizenship and Immigration was among those on the delegation present at the first meeting, and I have since followed the deliberations of this body which has done much to bring about agreement on many matters on which there might have been disagreement, and has made stronger the unity of NATO without which freedom cannot be maintained. I am very happy, I am sure with the approval of the official opposition and the third party, to welcome this distinguished group of men. I am very glad they have chosen Canada for their meeting. They will see here that we believe in the maintenance and the strengthening of those ties, particularly at a time when the challenge to freedom appears to be more definite than ever before.

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, as an old NATO hand—I beg your pardon, as a former NATO

hand—and still a strong supporter of NATO, may I be permitted on behalf of my party to associate ourselves with the remarks of welcome of the Prime Minister to this distinguished group of NATO parliamentarians. As the Prime Minister has pointed out, their presence here brings to our mind the fact that NATO still remains the strongest bulwark against aggression.

Mr. Erhart Regier (Burnaby-Coquitlam): Mr. Speaker, on behalf of the members of this group I should like to add our welcome to the distinguished visitors. We know that the NATO parliamentary association was originally organized in order to sponsor economic unity in the western world, and we wish them every success in their endeavours.

TRADE

SALT FISH—DISPOSAL OF CARRYOVER AND PRICE SUPPORT

On the orders of the day:

Hon. George H. Hees (Minister of Trade and Commerce): Mr. Speaker, on Wednesday last the hon. member for Bonavista-Twillingate asked for a report on the results of the efforts of my department to assist in the disposal of surpluses of salt fish. He also asked whether there had been any discussions with my colleague the Minister of Fisheries regarding action by the fisheries prices support board.

I am glad to be able to report that my department has completed, through the trade commissioners, a canvas of all salt fish markets and has given every assistance to the industry to increase its sales in foreign markets. All of this has resulted in the sale of nearly all the stocks of salt fish carried over from the 1960 production.

I am advised that stocks of salt fish at the end of June were only slightly higher than at the same time last year, when supplies were inadequate to meet current demand. There are also indications that export prospects are continuing to improve. I can also advise the hon. member that my department works in closest collaboration with that of my colleague the Minister of Fisheries.

Hon. J. W. Pickersgill (Bonavista-Twillingate): I should like to thank the minister for his statement. Could he say whether we are now getting back into the Cuban market?

Mr. Hees: Mr. Speaker, I am advised that there are prospects of an increased demand in the Cuban market for the supply of salt cod, and there is also an increased demand in the Dominican Republic for Canadian salted pollock.

[Mr. Pearson.]

CANADIAN PACIFIC RAILWAY

RESTON-WOLSELEY—INQUIRY AS TO REMOVAL OF BRANCH LINE

On the orders of the day:

Mr. R. R. Southam (Moose Mountain): Mr. Speaker, I should like to direct a question to the Minister of Transport. With respect to the application of the Reston-Wolseley retention committee, which is now pending before the governor in council, to have the order of the board of transport commissioners of Canada to remove the Reston-Wolseley branch of the C.P.R. fully reviewed, and in view of the serious implications to the social and economic life of the people affected, can the minister say what action, if any, has been taken by the governor in council in this matter?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, the matter is before the cabinet at the present time, and I can assure the hon. member that the most careful consideration is being given to the strong representation he has made on behalf of the population served by this branch line.

HISTORIC SITES AND MONUMENTS

OLD MILL, ILE-AUX-COUDRES—REQUEST FOR PRESERVATION

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I wish to address a question to the Minister of Northern Affairs and National Resources. My question is based on a conversation with a young lady who is interested in national historic monuments. In view of a report in *La Presse* of July 4 concerning the repairs required by the old mill built in 1618 on Ile-aux-Coudres in Charlevoix county, would the minister consider getting in touch with the government of Quebec on this matter with a view to having the mill declared a historic monument?

Hon. W. G. Dinsdale (Minister of Northern Affairs and National Resources): Mr. Speaker, this particular press item has not come to my attention; neither have I had the good fortune to be approached by the same young lady to whom the hon. member referred. However, I shall be happy to refer this matter to the historic sites and monuments board for their consideration.

EXTERNAL AFFAIRS

LAOS—INQUIRY AS TO CURRENT SITUATION

On the orders of the day:

Hon. Paul Martin (Essex East): Mr. Speaker, may I ask the Secretary of State for External Affairs if there are any developments which

he feels he would like to report to the house regarding the situation in Laos, particularly in view of the fact that Canada is a member of the international supervisory commission.

Hon. Howard C. Green (Secretary of State for External Affairs): No, Mr. Speaker, there is nothing further to report at the present time. Discussions are still under way with regard to the provision of equipment.

FISHERIES

REQUEST FOR CURING OF NEWFOUNDLAND CODFISH IN GASPE

On the orders of the day:

Mr. J. R. Keays (Iles-de-la-Madeleine): I should like to address a question to the Minister of Fisheries. Because of the fact that salt codfish sold under the trade mark "Gaspe cured" is in short supply, will the minister give consideration to moving some of the fresh caught product from Newfoundland to the Gaspe peninsula to be treated?

Hon. J. A. MacLean (Minister of Fisheries): Mr. Speaker, I am not technically qualified to pass judgment on the practicability of such a suggestion, but I will certainly refer it to my department for advice.

TRANSPORT

NORTH SYDNEY, N.S.—REPORTED STRANDING OF NEWFOUNDLAND BOUND FERRY PASSENGERS

On the orders of the day:

Mr. J. R. Tucker (Trinity-Conception): Mr. Speaker, may I direct a question to the Miniser of Transport. Is the minister aware of the fact that more than 100 Newfoundland bound travellers were left stranded at North Sydney recently when they were unable to obtain passage on the car ferry *William Carson,* and that this marked the fourth consecutive night that travellers were left stranded at North Sydney? If so, what action has been taken?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, I was not aware of the unfortunate incident related by my hon. friend but I will certainly bring the matter to the attention of the management of the C.N.R., who are operating the ship.

Hon. J. W. Pickersgill (Bonavista-Twillingate): I should like to ask the minister a supplementary question. Can he bring to the attention of his department and perhaps of treasury board, where it has been resting since 1959, the proposal for an east coast ferry which would help to relieve the kind of situation referred to by my hon. friend from Trinity-Conception.

Mr. Balcer: Mr. Speaker, in the very near future I am going to surprise the hon. member.

SHIPPING

INQUIRY AS TO THE REGULATIONS RESPECTING SHIPBUILDING SUBSIDIES

On the orders of the day:

Hon. J. W. Pickersgill (Bonavista-Twillingate): May I ask the minister a supplementary question. Will the minister try to surprise us tomorrow by bringing forward the regulations for aid to shipbuilding?

Mr. Fleming (Eglinton): What do you know about what is before treasury board?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, this matter of the regulations respecting shipbuilding has been raised a number of times recently. Unfortunately the regulations are not prepared. However, I have a statement that will be of interest to the house, I think. If it is agreeable to the house, I could read the statement at the present time.

Mr. Pickersgill: On the aid to shipbuilding?

Mr. Balcer: Yes.

Mr. Speaker: If it is a statement rather than an answer to a question I think the minister might have leave to revert to motions.

Some hon. Members: Agreed.

Mr. Balcer: As hon. members will recall, I announced in the house on May 12 a new policy respecting government assistance to Canadian ship operators and shipyards. I also stated that the methods of determining approved costs for this purpose and other particulars relating to administration of this plan will be prescribed by regulations approved by the governor in council. We are making good progress in the drafting of these regulations, and I hope they will be ready in the near future.

However, in order to avoid delay in proceeding with projects in shipyards on the part of potential large purchasers, we have introduced an interim procedure by which prospective purchaser and shipyard jointly can write in to seek assurance in principle that the project they have in mind would be covered by the subsidy policy. Accordingly a provisional application for ship construction assistance has been prepared for the use of those who may wish to proceed with the formulation of an application at this time. This application form has already been given to the following associations: Canadian Shipbuilding and Ship Repairing Association;

Canadian Shipowners Association; Dominion Marine Association; B.C. Towboat Owners' Association.

In writing to them in this connection I advised that respective applicants should be guided by the following general considerations:

1. The approved cost of vessel construction would be the price at which a contract is placed as a result of competitive tenders. Where a contract is not placed with the lowest bidder, or where there is only one tender received, or where a contract is placed without the calling of tenders, the government might, after investigation, fix a lower figure as being the approved cost. In all cases a firm figure would be established upon approval of an application which would not be subject to escalation and would be payable to the shipyard in the customary form of progress payments.

2. The proposed construction is to incorporate the maximum Canadian content that is practicable and consistent with availability and economy. If less than such maximum Canadian content is proposed, then the approved cost of construction may be reduced by such amount as the government may deem appropriate.

3. The owner for whom the vessel is to be built must be Canadian, whether a person, partnership, corporation or provincial or municipal government, or agency of such a government. Such owner would be required to undertake to maintain the vessel on Canadian registry for at least ten years. Any disposal of the vessel during that period would be subject to appropriate governmental approval.

4. The prospective owner and builder would be required to make joint application for the subsidy in accordance with the form "Provisional Application for Ship Construction Assistance", or such other form as may be prescribed.

5. The applicants would be required to establish their respective financial responsibility to the satisfaction of the government. This would normally include a requirement to carry insurance to protect the government against bankruptcy of either applicant and to cover builders risk and such other contingencies as may be specified.

6. Where a vessel is disposed of by a taxpayer and the proceeds or any part of the proceeds are used to finance or to assist in financing construction which is eligible for subsidy, such use would not qualify the taxpayer for the benefits set out in section 4 of the Canadian Vessel Construction Assistance Act, i.e. the portion of the proceeds so used would be subject to recapture of any excess depreciation that has been claimed.

7. Other provisions affecting shipping and shipbuilding are being reviewed, including legislative provisions, and changes may be announced or recommended to parliament in due course, but the government does not propose any material change in those sections of the Canadian Vessel Construction Assistance Act which allow an accelerated rate of depreciation on the owner's net investment or which authorize the claiming of reserves for special surveys.

Mr. Speaker, I am pleased to say that already ship owners and shipbuilders have signed contracts on the basis of the foregoing prescription.

Hon. Lionel Chevrier (Laurier): Mr. Speaker, may I ask the minister a question which I asked him during the course of his estimates, namely whether or not over and above the subsidy provisions covered by the regulations which he has just mentioned, the ship owner, ship operator or shipbuilder will also be entitled to the benefits of the vessel construction assistance act.

Mr. Balcer: Yes, Mr. Speaker. As I said in my statement, there is no intention of making any major changes in the Canadian Vessel Construction Assistance Act.

Mr. Chevrier: From that statement does it follow that over and above the 40 per cent subsidy he will also be entitled to the depreciation under the various sections of the Canadian Vessel Construction Assistance Act?

Mr. Balcer: Yes, Mr. Speaker.

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, on behalf of this group I wish to thank the minister for this further information with respect to this very interesting and important legislation. I should like to ask the minister this question. When the final regulations are drafted and become effective, in view of the continuing interest in this subject will he inform the house of those final regulations and of any further developments to date? In conclusion I wish to say that we are very pleased to note that other levels of government are able to participate under this act and these regulations.

Mr. Balcer: Yes, Mr. Speaker; I shall be very pleased to do so.

BANK OF CANADA

CREATION OF VACANCY IN OFFICE OF GOVERNOR

The house resumed, from Wednesday, July 5, consideration of the motion of Mr. Fleming (Eglinton) for the third reading of Bill No. C-114, respecting the Bank of Canada.

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, what I have said so far during the course of the debate was designed to show that the views expressed by the opposition regarding their affection for the bill of rights was but lip service to principles which they had disavowed so frequently and so wantonly during their period of office. What I am going to do today is cover in general some of the matters that have not been dealt with *in extenso* as yet.

At the same time I am able to say that the publication of a letter yesterday by Mr. Coyne, to which he attached various letters which have passed between him and the Minister of Finance, will in very considerable measure reduce the length of my remarks, for they themselves constitute an answer to many of the matters that have been raised by the opposition. Indeed they are a revelation of what the Minister of Finance had stated to be the fact, that there was a vast division of opinion between the views of the government and the views of the governor.

I think I should also say that the Bank of Canada Act contains schedule A—to which I will do nothing more than make the casual reference necessary to place it on *Hansard*—which is the oath of fidelity and secrecy. It reads as follows:

> I,—do solemnly swear that I will faithfully, truly and to the best of my judgment, skill and ability, execute and perform the duties required of me as a director (officer or employee as the case may be) of the Bank of Canada and which properly relate to any office or position in the said bank held by me.
>
> I further solemnly swear that I will not communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of the bank, nor will I allow any such person to inspect or have access to any books or documents belonging to or in the possession of the bank and relating to the business of the bank.

Sir, I am not going to enter into recriminations. I am not going to answer in kind. I have found myself to be subject of bitter personal attacks far and beyond the realm of criticism ordinarily accepted and necessary for our parliamentary system. I have never answered personal attacks. I do not intend to start on this occasion. I do say, however, that whatever feelings of some Canadians may have been at the beginning of this debate, the last two epistles sent out from the ivory tower, irresponsible and intemperate, sent out on the letterheads and in envelopes belonging to the Bank of Canada and delivered by a personal messenger of the bank, make one wonder.

Some hon. Members: Shame.

Mr. Diefenbaker: Sir, these letters reveal an attitude which, if accepted by the government, would result in two sovereignties in Canada, the government of Canada and the governor of the Bank of Canada; but not in that order. They would set up a rival government. They have established beyond any question that the views of the governor and the policies of this government as revealed prior to and in the budget are incompatible. They have revealed, too, that the attitude of the governor and responsible government and its maintenance are not compatible. He has shown that there are irreconcilable differences on basic policies. Throughout the correspondence he has gone beyond the field of monetary policy and has declared himself in direct conflict with government policies on fiscal, financial and commercial matters.

To listen to the official opposition today one would think that was a recent attitude on his part. I would ask hon. members opposite to read *Hansard* of August 10, 1956, page 7351. The hon. member for Dufferin-Simcoe (Mr. Rowe), the then acting leader of the opposition, asked this question of Mr. Harris:

> In view of the announcement last night by the Bank of Canada that its interest rate has been raised to the unprecedented high level of 3¼ per cent, will the minister advise the house what is the purpose behind this new move on the part of the Bank of Canada?

Mr. Harris replied:

> The Minister of Finance was expecting to have his estimates called tomorrow, and I shall be glad to discuss this point at that time.

Mr. Harris went on to say, after a further question:

> The duty of the Bank of Canada is to regulate the interest rate, which is commonly known as the bank rate. That duty and responsibility is imposed upon the bank and not upon the government, and it has not been customary in the past for any minister of finance to comment on the actions of the bank in discharging its duty.

When I hear the arguments of the opposition today I remind them of the declarations of Mr. Harris. I then asked a supplementary question:

> —in connection with actions such as this on the part of the Bank of Canada which, in regard to house building and the like, may have a very detrimental effect, and also in connection with the fact that it raises the costs of production at a time when we are endeavouring to compete in other parts of the world. Is the government or any member of the government consulted by the Bank of Canada before a decision as momentous as this one is made?

The answer was:

> I answered this question some two months ago by saying that the governor of the Bank of Canada is one of the several advisors to the Minister of Finance. In this particular matter, however, he has statutory authority to make his own decisions, that statutory authority having been conferred upon him by parliament. I think it would be correct to say, as I said on the former occasion, that I was advised of this course before it was taken.

Governor of Bank of Canada

Then I asked the question:

Did the minister in any way suggest, having regard to the inflationary tendencies in this country today, that this action should be taken or might be taken by the bank?

Mr. Harris: Mr. Speaker, I also answered that question two months ago by saying that this action is the action of the governor of the bank and his responsibility alone.

Then it went on, and it is well to read it. I do not want to read it all into *Hansard*, but finally I asked the prime minister this question, which is to be found on page 7352:

Will the Prime Minister, having had the reasons from the governor of the Bank of Canada, now give the house the benefit of what those reasons were?

The prime minister had stated that the reasons had been given. He answered:

No, Mr. Speaker, the Prime Minister will not undertake to have parliament or the members of the opposition act as a court of appeal from the decision made by the governor of the Bank of Canada—

The opposition have been founding their arguments on a principle which was disavowed by Mr. St. Laurent. Then Mr. St. Laurent added these words—somebody said, "Oh, oh"—

—unless and until parliament amends the act which now governs the Bank of Canada.

And at this point, a little later, the hon. member for Bonavista-Twillingate, who was so noisy and vociferous a few days ago—and then suddenly the flame snuffed out—said this:

This is degenerating into a debate.

Some hon. Members: Oh, oh.

Mr. Diefenbaker: The ground rules of the Bank of Canada, as it were, were set out in the report of the royal commission on banking and currency in 1933 at page 63:

A central bank is at the same time an instrument and a force. As an instrument it is the means by which the state, which must necessarily retain ultimate sovereignty in matters respecting the currency, can give effect to the national policy.

That is the principle on which it was set up, and in volume 1 of the proceedings of the commission, at page 92, there is the evidence of Professor W. A. Carrothers, of Vancouver, as follows:

No one suggests that this board (that is, the bank) should become the governmental authority of Canada, but it should become the instrument through which a truly national policy can be carried out in such a federation as we have in Canada today . . . Naturally, it would have to work in co-operation with the many policies of the country. You cannot have one institution working one way and another institution working another.

Whatever the views of the opposition may have been when the debate started, they are now in a position in which they admit that Mr. Coyne cannot stay; that for him to stay would be inconsistent with the responsibilities that rest upon him, and with the welfare of Canada. I think it is of interest that the Leader of the Opposition and the hon. member for Bonavista-Twillingate should each have graduated from the field of public service, or the civil service, into public life. They have some understanding of the responsibilities of those who discharge the offices within the public service.

"I think it is always of interest to know what are the principles which should actuate a public servant." First of all there "is the constant and unfailing realization that he is a servant and not the master of the public." The second is that there should be a proper appreciation of the limits of the public servant's responsibility. "Under our system of responsible parliamentary government, public servants are not expected to take the responsibility for the policies they carry out. That is the responsibility of the politician." Our senior "civil servants" owe loyal and zealous service to their political chief so long as he enjoys the confidence of parliament. I think that is a principle which is acceptable. If they cannot give such service, even when they disagree with the policy they are not entitled to feel they are doing their whole duty."

Then, as far as civil servants are concerned, these words might be used, I think, to define their responsibility: "one way to put it is that civil servants, like children, should be seen and not heard."

Some hon. Members: Hear, hear.

Mr. Diefenbaker: Hon. members may wonder what I was quoting from. Well, I was quoting the immortal words of the member for Bonavista-Twillingate spoken on October 24, 1953 at Carleton College, in which the following personal remarks were interspersed:

I know that there are those who would disagree violently with this view—some people already have—

And he quotes who disagreed.

—but I am vain enough to believe that I was a good public servant.

And do hon. members know who moved the vote of thanks for this address on the position of public servants, earlier and later? It was Mr. J. E. Coyne, the present governor of the Bank of Canada. It was a delightful dissertation on the subject from one who knew then and, I hope, in spite of some of the arguments he advanced during this debate, knows now.

We are in the position that the government is challenged, and the sovereignty of parliament is challenged. Mr. Dicey in his

book "The Law of the Constitution" explains the nature of parliamentary sovereignty in this way:

> The principle of parliamentary sovereignty means neither more nor less than this, namely, that parliament, thus defined has under the English constitution, the right to make or unmake any law whatever; and that no person or body is recognized by the law of England as having a right to override or set aside the legislation of parliament.

Is there anyone in the opposition today who says that this legislation was not necessary or that it should not be passed? The hon. member for Essex East certainly agrees that such is the fact. Indeed, during the course of his remarks as reported at page 7071 he explained his position and relied on his earlier words of March 22, 1961:

> I have always taken the position, as has the Leader of the Opposition, that there is no room in this country for two sovereignties and where there is a difference between a leading official in the public service and the government of the day there can be no public disagreement unless that disagreement is concurred in by the administration. We in this party have always stood for that principle.

I ask them to do so now. When this matter was discussed on February 21, 1961 the Minister of Finance said on that occasion:

> There is nothing a government is in a position to do—

That is where there is a breach of authority or responsibility by the governor under any legislation—

> There is nothing the government is in a position to do except to ask parliament to change the legislation or await the expiry of the term.

We placed the budget before the house. Is there anyone who will say after reading any one of those epistles to the universe, to members of parliament, to members of the cabinet, to officials here, there and in the other place and across this country—is there anyone who, on the basis of what is set out in these several letters, can say that there is not, and has not been continually disagreement which would make impossible the carrying on of government if we were to wait until the expiry of the term? I cannot quote the words that were used by the Minister of Finance when he introduced the budget, but I shall refer to his words of June 20 as found at pages 6666 and 6667, and shall summarize what he said on that occasion without quoting him.

He said that the financial and commercial proposals that he was laying before the house, and the international obligations, were such that in the face of Mr. Coyne's speeches, which were permeated with ultra-protectioism and isolationism, they would bring about a restrictionist "world of our own" rather than expansion. Furthermore he pointed out that interest rates are very important, and that Mr. Coyne's stand was that whether the interest rates were as high as Haman's gallows, they did not exercise any particular influence on the productive capacity of Canada.

Mr. Coyne in his annual report argued that interest rates had very little influence on economic development. He also stated that the exchange rate should be flexible to move with the times. Another stand he took was that budget deficits were not in keeping with the need to meet the unemployment situation that existed. I am going to refer in some detail to the appendix to one of his epistles.

Are not the words of Charles Dunning as effective today as when they were spoken? I refer to his statement that a long continuance of a policy that conflicts with a government view becomes impossible. Mr. Abbott said that the ultimate responsibility must fall upon the government. Mr. Mackenzie King said, and I am sure the hon. member for Bonavista-Twillingate will accept what he said—this is only in the book, not by way of transmission—the following as it appears at page 4227 of *Hansard* for June 22, 1934:

> I do not believe powers should be given any institution that would enable it to put itself in a position of opposition to a government that has been entrusted with great responsibilities of enforcing particular policies.

Then he went on to say at page 4228, on the same day:

> What I should like to ask is: Are the institutions created by governments themselves to be made by their very constitutions so powerful that in the matter of national policies they can regard themselves as wholly beyond the direction of a government, where those policies are the result of the will of the people as expressed by their representatives in parliament?

No one but the opposition today has ever taken any other view than that which I have just enunciated as representing Mr. King's views.

The minister of finance of that day, Mr. Dunning, explained the situation in greater detail when he said, on June 8, 1936, as recorded at page 3480 of *Hansard* for that date:

> Of course there is only one answer to that argument—

That was the argument to set up two governments in this country, one by appointment, placing it in supremacy over the government that brought about the appointment with approval of parliament. Mr. Dunning's statement continues:

> Of course there is only one answer to that argument—the parliament of Canada, the House of Commons of Canada, must be supreme.

Mr. Mackenzie King on June 17, 1936, said the following as reported at page 3807 of *Hansard* of that date:

—the last word is not with the governor of the bank but with the governor in council, which is the cabinet, which represents the House of Commons, and which in turn represents the people of this country.

I have great admiration for the hon. member for Bonavista-Twillingate. He is a historian with wide, wide knowledge of the past. I do not want to go back as far as the burning of the parliament buildings in 1849, was it? I thought that was the year the hon. gentleman referred to. I go back, however, to 1936 to quote from a man who more than anyone else trained and shaped—I was going to say perfected—the hon. gentleman, but I think that would be going further than the circumstances demand. Later that day of June 17, 1936, as reported at page 3811 of *Hansard,* Mr. Mackenzie King summed up his opinion as follows:

I pointed out that what was necessary was that no institution, and least of all a great banking institution, should ever be created in this country with any such power, or be so constituted that it could be a force to oppose the will of the government of the day.

Out of the mouths of those who were their mentors I place these quotations before the opposition.

I must make reference to the press conference of some weeks ago and the words of the Leader of the Opposition, because they cannot pass unnoticed. However, I will come back to that in a moment. He was asked this question:

Do you think he should resign now, Mr. Pearson?

"He" being Mr. Coyne, and the Leader of the Opposition replied:

I say his usefulness is over as governor.

If his usefulness is over, what are we fighting about? I should like now to refer to one or two other observations of the Leader of the Opposition before I return to that appearance on television when Michael Barkway finally said "—I am confused—". That was a case of Mike confusing Mike.

The Leader of the Opposition said, as reported at page 2206 of *Hansard* for February 20, 1961, the following:

Why, since 1957, has monetary policy not made the contribution required by our legislation to mitigate recessions, and why does the governor feel that there is no special obligation in this respect, as he said recently in his speech in Newfoundland?

Those are the words of the Leader of the Opposition four months ago. Later on that same page he is reported as follows:

It is most regrettable indeed that the Bank of Canada has become the centre of the present controversy because it may weaken seriously the prestige and the authority of a most essential institution whose prestige and authority in this country since it was established have been strong and which has commanded the highest respect.

Then he went on to say the following:

I am quite sure that all hon. members in this house will agree that in our system of responsible government the general direction of monetary policy should not be turned over to any public servant.

That represents the wisdom of February which I ask the opposition to adopt as the wisdom of July. Then on August 10, 1960 the Leader of the Opposition, speaking in the house, again summarized the position of the governor vis-à-vis the government of the day, as reported at page 7926 of *Hansard*:

The minister indicated to us a few moments ago that the fiscal and monetary policies of the government are above reproach, indeed almost above criticism. Perhaps he will not be surprised if we do not take exactly the same view of them. He said also that not the government but the Bank of Canada is responsible for monetary policy.

In saying that he said in 1958, 1959 and 1960 what Mr. Harris had said in 1956 and 1957. Then he continued:

Of course that is written into the Bank Act and in a technical sense is undoubtedly true.

Well, if it is true in a technical sense under the law, what is the difference between something which is technically true in law and that which is actually true? Then the Leader of the Opposition went on to say this:

But the Bank of Canada can only operate in discharging its responsibility for monetary policy within the fiscal policies laid down by the government.

I underline these words because I am sure the opposition have not read them lately:

If there is any difference between the bank and the government on such fundamental matters then it has been made clear that the governor of the bank should resign or, less likely, that the government should resign.

These were the words of the Leader of the Opposition.

Mr. Pearson: They are still our words.

Mr. Diefenbaker: They are his words on August 10, 1960. The alternative is there, Mr. Speaker; and we are staying. The Leader of the Opposition made a speech in Montreal on the question of responsibility of the government. This was a non-political speech delivered to the Canadian club and entitled "The Anatomy of Challenge". Let us look into this anatomy.

The government must take the responsibility in a time of financial crisis, not only for monetary policy but also for fiscal and trade policy.

Mr. Pearson: Hear, hear.

Mr. Diefenbaker: I continue:

In my view it is damaging and dangerous for the government to relegate all responsibility for monetary policy to a central bank, while accepting full responsibility for debt management.

That is Mr. Coyne's exact position. In fact he goes further than that and says "I cover the whole field", by the kind of speeches he made and, forgetting the speeches, by that torrent of vituperation that has come to all of us in recent days through the medium of those letters. Then the Leader of the Opposition said:

If the bank, in monetary matters cannot operate within the broad policy laid down by the government, then, under this principle of responsibility, the governor of the bank would naturally expect to give way to someone who could conscientiously carry out the policy.

I stayed out of the debate because it seemed so absolutely apparent to me that the declarations of the past on the part of the opposition would not justify the evasions of the present. Indeed, when I place the former views of the Leader of the Opposition before the house, and the ones that he expresses today, all I can say is that the trumpet has an uncertain sound. They are different, diametrically opposite. I am not going to refer to the press clippings except one that may be of interest to the hon. member for Essex East. He is a little annoyed at the moment; he has not been referred to. I should like him to hear what the Windsor *Star* had to say about this.

Mr. Martin (Essex East): It is a very good paper.

Mr. Diefenbaker: A very good paper; does the hon. member approve of what it says?

Mr. Martin (Essex East): I said it is a very good paper.

Mr. Diefenbaker: It contains an article on the supremacy of parliament. The issue is dated June 29.

Mr. Martin (Essex East): Was it by Mr. Clark?

Mr. Diefenbaker: I continue:

Whether or not a person agrees with the economics of James E. Coyne, the outgoing governor of the Bank of Canada is now questioning the supremacy of parliament.

Oliver Cromwell did that in England in 1649 and in 1653 he became the Lord Protector, which was just a fancy name for dictator.

The commonwealth lasted from 1649 to 1660. Then, the people were fed up with dictators and the monarchy was restored.

Mr. Coyne defies the parliament. In so doing he has revealed things that went on. Ordinarily, it is doubtful if these so-called secrets ever would have been told publicly.

Then it goes on:

In our system of government, parliament is supreme.

Mr. Martin (Essex East): Hear, hear.

Mr. Diefenbaker: I have favourable support now for something the opposition have been denying for days. What members of this government were not able to do with the hon. gentlemen, the Windsor *Star* has done. Then the final words:

If Mr. Coyne is greater than parliament, then he becomes a dictator. Whether or not Canadians agree with Mr. Coyne's theory, are they ready to do away with parliament?

There is the simple issue. All the other matters which are dragged in are not relevant.

Some hon. Members: Oh, oh.

Mr. Diefenbaker: I shall come shortly to the spurious argument of the opposition. When parliament acts, and the board of directors have acted, then the opposition take the position that of course the governor should not be there. The hon. member for Essex East said "a lot of things he stands for I do not agree with". He said the governor should have a further opportunity to give some additional reasons, following the deluge of propaganda that has been heaped on parliament and the people of the country. However, before I go into that field I do want to refer to the press conference at which the Leader of the Opposition appeared. If only the Leader of the Opposition could be himself, what a great man he would be. It was very obvious that the image of the man I know was subverted that evening to the demands of those who sit around him. I want to read from this document, and I turn to page 1:

I have already stated in the House of Commons that the usefulness of Mr. Coyne as the governor of the Bank of Canada has been destroyed by this unhappy and sorry controversy.

This was on June 22. Then he was asked this question:

Won't this only drag the unhappy business out to greater lengths and maybe drag on a controversy which will further damage the bank and the position of the governor?

The Leader of the Opposition answered:

I would hope not. I would hope that if this controversy is to go on, the air should be cleared. But I do agree that it should not have happened and that it should be ended as quickly as possible and I certainly don't want to say or do anything which would add to the controversy or extend it or prolong it because Canada's prestige has been damaged by this controversy.

Then he said:

We on the Liberal side have been, along with some C.C.F. members, the only persons who have in the House of Commons criticized some of Mr. Coyne's statements and some of Mr. Coyne's policies.

They criticized. The governor placed before the country certain representations that he made to the minister on February 24. On February 24 he set out his views, and I will refer to them and allow hon. gentlemen opposite to try and disentangle themselves from the position they are now in, that they stand behind the things for which Mr. Coyne stands.

I want to make that very clear. This question was put to the Leader of the Opposition:

Mr. Pearson, you said that if Mr. Fleming could demonstrate to you or to the Liberal party that his policies and those of Mr. Coyne were in conflict that you would not support the governor.

That has been done by Mr. Coyne, and he has done it by publishing those letters that passed between him and the Minister of Finance.

I think that is in essence what you said in the House of Commons.

Then the Leader of the Opposition went on to say:

Why didn't Mr. Fleming take this action on behalf of the government two or three years ago—

That is not the attitude today. The hon. gentleman says that we should have acted two or three years ago; and there is no question about it that the continuing process, as revealed by the letters improperly brought out by Mr. Coyne, indicate that division most clearly and definitely. I am sorry; I have not given the names of the press men involved and I must mention who they were. Mr. Arthur Blakely was the chairman and the members of the panel were Mr. Clark Davey, Mr. Michael Barkway and Mr. Tom Gould. This question was asked:

Isn't it a fact there is really a greater gulf between Mr. Coyne and the views the Liberal party has been expressing—I am thinking particularly of Mr. Walter Gordon's speeches about expanding the money supply and deficit financing and bringing down interest rates—than there has been between him and the government?

Then the Leader of the Opposition said:

Indeed, we have criticized Mr. Coyne's policies . . . Indeed, I have taken that position—

The question was:

Are you then saying, sir, that the government must take responsibility for monetary policy and must be in a position to dictate monetary policy to the governor of the Bank of Canada?

The answer was:

Indeed, I have taken that position in the House of Commons. I have got my statements here—that the government must take ultimate responsibility for monetary policy but not for the administration of policy and that if there is a dispute between the governor and the government, the governor should resign.

I ask the Leader of the Opposition to speak in the House of Commons as he spoke at the time he confused Mr. Barkway.

Mr. Pearson: Mr. Speaker, of course the Prime Minister is reading selected pieces from my statement. Perhaps he would go on to read this bit which I have already put on the record, that Mr. Coyne "should have his day in court and by in court"—

Some hon. Members: Oh, oh.

Some hon. Members: Hear, hear.

[Mr. Diefenbaker.]

Mr. Speaker: Order. Unless the Prime Minister who has the floor yields it, the hon. member should not interrupt but rather can make his explanation at the end of the speech.

Mr. Pearson: Mr. Speaker, my point of order is this, and I rise on a point of order. The Prime Minister—

Mr. Diefenbaker: I have the floor, sir.

Mr. Pearson: —is selecting—

Mr. Speaker: Order.

Mr. Diefenbaker: It is no point of order, and the hon. gentleman knows it. At the end he may bring in any portion of the record that he wishes. I am reading from his answers. I am reading fully and completely from page 6.

Mr. Pearson: On a point of order—

Mr. Speaker: Order.

Mr. Pearson: —the Prime Minister now states that he is reading fully and completely. That is not true.

Mr. Diefenbaker: Mr. Speaker, there is nothing that hurts the hon. gentleman like the revelation of the truth. I am reading every word on page 6 with not one deletion.

Are you then saying, sir, that the government must take responsibility for monetary policy and must be in a position to dictate monetary policy to the governor of the Bank of Canada?

This was the answer:

Indeed, I have taken that position in the House of Commons. I have got my statements here—that the government must take ultimate responsibility for monetary policy but not for the administration of policy and that if there is a dispute between the governor and the government, the governor should resign.

Mr. Martin (Essex East): That is right.

Mr. Diefenbaker: I continue:

I have said that in the House of Commons and when I said that I remember Mr. Fleming once intervened and said, "No, no".

Mr. Pearson: That is right, too.

Mr. Fleming (Eglinton): I did not say so.

Mr. Diefenbaker: I am not omitting one word, not one omission.

Mr. Harkness: Try to keep quiet over there.

Mr. Diefenbaker: Mr. Speaker, I shall come to the day in court in a moment and will show exactly the position of affairs in that connection. At the moment I am reading from the record, page 6. This question was asked:

Who is to be the judge of whether there is or is not a dispute? If the government says yes, there is a dispute, and the governor of the Bank of Canada says he knows of none, whose judgment—

The Leader of the Opposition replied:

Oh, the government's views must prevail in these matters, the government of course.

Mr. Pearson: Read on, read on.

Mr. Diefenbaker: Oh, I could read forever.

Mr. Pearson: Do; go on.

Mr. Diefenbaker: I will come back to that because I am going to deal with that particular phase.

Some hon. Members: Oh, oh.

Mr. Diefenbaker: I sit here day by day and there is never an interruption from me. Hon. gentlemen opposite talk about interference with free speech, but they have organized, apparently; and if they have not organized they are just as successful as if they had.

Mr. Pearson: I wonder whether the Prime Minister would permit a question?

Mr. Diefenbaker: Will you sit down?

Who is to be the judge of whether there is or is not a dispute?... You take the position then that if the government asserts that there is a dispute the governor of the Bank of Canada must resign?

This was the reply:

I think that if there is a dispute of that kind the governor of the Bank of Canada should resign, of course.

Mr. Pearson: Read on.

Mr. Diefenbaker: Oh, I am going to read on and I am coming back to this, too.

Do you think he should resign now, Mr. Pearson?

Watch this answer.

I say his usefulness is over as governor.

If his usefulness is over, why not pass the legislation?

Mr. Pearson: Read on.

Mr. Diefenbaker: I am going to read on because this is the only part that the hon. gentleman wants me to read. But I am going to come back to this. The Leader of the Opposition want on to say:

But Mr. Coyne apparently is determined to defend himself against certain charges which he believes reflect on his integrity and that's why, surely, Mr. Coyne should have his day in court, and by in court I don't mean issuing statements which he feels are necessary because he isn't permitted to appear before a committee and which he states in one of his statements that he has not been allowed to appear before the banking and commerce committee to discuss the Bank of Canada report for four years.

Then the question was—

Mr. Pearson: Don't let anybody hear that part.

Mr. Chevrier: Read a little faster.

Mr. Diefenbaker: I shall be returning to this portion.

Mr. Pearson: Read a little more slowly, please.

Mr. Harkness: Try to be quiet.

Mr. Diefenbaker: Before we are through with this we are going to have you all lined up with Mr. Coyne's thinking. That is the position you are putting yourselves in, and that is the position I want you to put yourselves in. Then somebody said:

He had his day in court before the Senate banking and commerce committee and had absolutely nothing to say. He evaded every direct question which was thrown at him on his views on what should be done for Canada right now.

The Leader of the Opposition said:

That was before this dispute broke out into the open. But I do want to repeat—

Hon. members opposite have been talking for days, and the hon. member for Essex East issued a threat of ten days.

Mr. Martin (Essex East): Weeks; weeks.

Mr. Diefenbaker: The hon. gentleman said:

But I do want to repeat that surely it is in the interests of all Canadians to get this matter settled, to get it settled quickly, and to get it settled decisively.

Mr. Pearson: And fairly.

Mr. Diefenbaker: That is exactly what we are asking. I am not going into the other equally interesting portions of this interview, but I must say that I listened to it with great interest and enjoyment and also with the realization of how helpful it was to us. I followed this very carefully. I do not think there is anything more at the moment, and I will come back to the "day in court" question.

Those are the references to the necessity of action. It should be done now. He said it should have been done three years ago when he spoke in February, I think it was. Now when we are giving parliament the right to do it, what does he say? "Oh," he says, "there is something else I want to bring up. Mr. Coyne says he has not had the opportunity to clear the slur on his reputation that he got a pension". I am going to come to the pension question after I have dealt with the policy matter. There is no question here. It is a simple bill. It does not say there is any cancellation of the extraordinarily ample increase in the pension over which he had a veto—

Mr. Pearson: Given by a Tory board of directors.

Mr. Diefenbaker: I repeat, over which he had a veto. Does the bill of rights apply?

Over and over again we have heard that question. Legally there is no application of the bill of rights.

Some hon. Members: Oh, oh.

Mr. Diefenbaker: On June 26 the Leader of the Opposition spoke of this procedure as a denial of the bill of rights. I am not going to rehearse what was said. It simply revealed the utter hypocrisy of the stand that is taken now in relying on the bill of rights which they spurned even as late as a year ago. He proceeded to invite the Minister of Justice to inform the house whether he had examined this bill in the light of the bill of rights, and whether it, in the light of the refusal of the government to permit a hearing by a committee, is consistent with the letter or the spirit of the bill of rights.

This bill was examined. I propose to show that it is consistent both with the letter and the spirit of the bill of rights. The hon. gentleman was obviously referring to section 2 (e) to which reference has been made on previous occasions:

> (e) Deprive a person of the right to a fair hearing in accordance with the principle of fundamental justice for the determination of his rights and obligations.

I underline "rights and obligations". This provision clearly applies in indicating what a person's rights are not to the change of any rights by parliament. We took that stand in connection with the judiciary when we provided for retirement at 75 years, and there were some who argued at the time that in doing so we were interfering with rights. There is no inviolable right to continue to the end of any term in any position that comes under parliament.

Mr. Habel: Even for the Prime Minister.

Mr. Diefenbaker: The hon. gentleman accepted that a few months ago I think, in connection with the judiciary. New tax laws, new amendments to the Criminal Code, as well as other acts of parliament may and do from time to time operate to modify or affect rights of persons; but it is never said and it cannot be said that a person is not bound by such laws or such statutes unless he is given an opportunity to come before parliament.

This idea is based on the distinction between the functions of parliament and the functions of the courts. These functions are different. The legislative function is concerned with the making of laws, a function which can be performed only by parliament or by bodies to which parliament has delegated authority. The judicial authority is performed by the courts and other tribunals established in accordance with laws passed by parliament.

When Mr. Coyne was appointed governor it was for the purpose of providing an efficient operation within the ambit of the Bank of Canada Act. The duty and right of parliament is to act when any responsibilities undertaken are not carried out; and it is obvious that they have not been carried out. One just has to read those letters. If the governor had not written any letters he would have been better off. I remember, Mr. Speaker, as a young lawyer, at the conclusion of my term, I said to my senior: "Would you give me some advice?" He said, "Oh, well, this is quite a thing. I will tell you what I will do. I will give you the advice I received when I got through. This advice was, do right and fear no man. Don't write and fear no woman." I simply say, "Don't write unless you intend to have used against you what you have written"; for that moving finger that has written these letters has itself made necessary the enactment of this legislation.

The duty of the courts is to ascertain the facts of a case and apply the laws as they exist at the time for the determination of the rights and obligations of the individual. It is in the course of this judicial process—and it is to the judicial process that the bill of rights refers—that a person who claims his rights or his fundamental freedoms have been adversely affected is entitled to have what he had not had previously, namely a fair hearing in accordance with the principle of fundamental justice.

Any rights in the case of the governor exist by virtue of an act of parliament. The amendment to the Bank of Canada Act passed in 1953-54 provided that the appointment should be for a period of seven years during good behaviour. The answer to the behaviour is in the letters.

Mr. Pearson: You threw him out before the letters.

Mr. Diefenbaker: Does the Leader of the Opposition say those letters are proper?

Mr. Pearson: No, Mr. Speaker.

Mr. Diefenbaker: No.

Mr. Pearson: Mr. Speaker, the Prime Minister asked me a question. The answer to the question is that they threw him out before the letters were written.

Some hon. Members: Oh, oh.

Mr. Diefenbaker: He is not out yet.

Mr. Pearson: You tried to throw him out.

Some hon. Members: Oh, oh.

Mr. Speaker: Order.

Mr. Pearson: I rise on a point of order.

Mr. Speaker: Is the Leader of the Opposition rising on a point of order?

Mr. Pearson: Yes. I confess that I made a misstatement.

Some hon. Members: Oh, oh.

Mr. Pearson: Mr. Speaker, I should have said that they tried to throw him out.

Mr. Diefenbaker: Mr. Speaker, if only the hon. gentleman could revise all the statements he made.

Mr. Pearson: You are still trying.

Mr. Diefenbaker: I can just imagine how he would like to be revising some of the statements he made in February, a year ago and otherwise. Any rights in the case of the governor of the Bank of Canada exist by virtue of an act of parliament. I mentioned that there is nothing in the bill of rights to suggest that there is any limitation on the power of parliament to change or repeal a law enacted by parliament. The tenure of office of the governor has been created by that act, and I underline and emphasize this fact.

There is another act that helps us in appreciating what the provision in the bill of rights means, namely the Interpretation Act. Section 18, subsection 1 of this act reads as follows:

> Every act shall be so construed as to reserve to parliament the power of repealing or amending it, and of revoking, restricting or modifying any power, privilege or advantage thereby vested in or granted to any person, whenever such repeal, amendment, revocation, restriction or modification is deemed by parliament to be required for the public good.

I ask this question. Was action ever more necessary for the public good? The Interpretation Act provides that such revocation can be undertaken whenever parliament deems it to be required for the public good. It has been made very clear. Members of parliament, newspapers and radio stations across this country and officials everywhere are inundated with explanations. The volume increases daily. One wonders when the end will be.

I think the general summary is this. If there is any right, which there is not, I would refer the matter to the committee. But what would hon. members opposite do if it was referred to the committee? What would the committee do? Again I call on the hon. member for Bonavista-Twillingate, because he always gives the answers. At page 7085 of *Hansard* the hon. member asked himself a question and he got this intelligent answer:

> Why do they not want this inquiry? The fact of the matter is that there is nothing substantial to inquire into.

Those are the words of the hon. member himself.

Mr. Pearson: Wait till a little later.

Mr. Diefenbaker: We have had a tissue of fantasy conjured up by the opposition. The hon. member for Essex East demands a committee hearing for only one reason; he is opposed to the pension. That is clear. I do not know whether that is the only reason. Other Liberal members say there is nothing wrong with the pension. What would a committee hearing achieve, in view of the fact that the Leader of the Opposition says that Mr. Coyne has outlived his usefulness?

Mr. Deschatelets: What are you afraid of?

Mr. Diefenbaker: I ask this question. Would it result in his reinstatement?

An hon. Member: You do not want the answer.

Mr. Diefenbaker: Hon. members opposite held the view months ago that his usefulness had passed its zenith. I ask whether a committee hearing would bring about his reinstatement. We have had all the evidence that the mind of my hon. friend has been able to bring forth.

An hon. Member: We want the truth.

Mr. Diefenbaker: My hon. friend over there has gone through all the documents, apparently; documents that had been laid away, never to be used, but they have been dug up. Has he missed anything?

Some hon. Members: Oh, oh.

Mr. Pickersgill: The Prime Minister should talk about digging up anything.

Mr. Diefenbaker: I beg your pardon?

Mr. Pickersgill: I said, Mr. Speaker, the Prime Minister talks about digging up documents.

Mr. Diefenbaker: Mr. Speaker, I am not going to answer that at the moment.

Mr. Pearson: I wouldn't.

Mr. Diefenbaker: But the hon. member was surprised when I dug up something about Mr. Pitt and himself. It is inconceivable that a hearing be held under such circumstances in an effort to advise the government and parliament that its responsibility and supremacy in this connection shall not be discharged.

Then we heard that massive exaggeration when hon. members opposite referred to this bill as a bill of attainder. I was quite interested in the matter of a bill of attainder. A bill of attainder provided, of course, for the death of the individual and the loss of his civil rights. There was no pension involved in those days under bills of attainder.

Let me make one other reference to what Mr. Coyne has said. He says he has been

slurred, that his honour has been impugned and there has been a slander upon his integrity arising out of the fact that his pension was increased. True enough, and I admit this; the pension was approved by a board of 12 directors, four of whom were appointed by the previous government and eight by this government. We have here a pension of $11,900 a year which was increased to $25,000 a year. Why was that done? It was done in order to increase his independence.

There is nothing whatsoever in the bill about the pension. The governor had the right of veto in that matter. Is it impugning a man's integrity to say that he sat, knew, listened and took? Where is the impugning of integrity there? This matter is of interest on this whole question. The number of letters I am receiving on this question indicates that the people are beginning to think that these vast, swollen pensions deserve to be looked into.

Some hon. Members: Hear, hear.

Mr. Diefenbaker: Right Hon. Louis St. Laurent, a man who gave devoted service to his country for the greater part of nine years as prime minister and who is today practising law, receives a pension of less than $3,000 a year. That is because he was a member of this house. Here we are considering a pension of $11,900 a year which was increased to $25,000 a year within the last two years of the term the governor was going to serve.

Mr. Pearson: It was increased by action of a Tory board.

Mr. Diefenbaker: And at 51 years of age. The less I say about that, the better.

Mr. Pearson: That is right.

Mr. Diefenbaker: I simply say this is put forward as the slur upon his character. I wonder whether the slur is the fact that in one of his speeches, the one delivered in Calgary on October 5, 1960 he said, "We should be living within our means by expanding our means to live better". Is that the meaning of that?

I have simply pointed out, Mr. Speaker, that the slur can only have been that, because there has been nothing else except the suggestion of disagreement. How many people in public life receive a pension of that size? I have been in public life longer than Mr. Coyne. When I retire, no matter how many years from now it may be, I will be in the same position as Mr. St. Laurent.

Mr. Pearson: Oh, that is the reason.

Mr. Diefenbaker: Yes.

Mr. Pearson: Now we know.

[Mr. Diefenbaker.]

Mr. Diefenbaker: That is true. I am glad the hon. member mentioned that, because he has given years of devoted service and I am prepared to admit it. I ask him not to answer this question. Does the hon. member think $25,000 a year is a fair pension?

Mr. Habel: It was up to the board to decide.

Mr. Diefenbaker: The hon. member says it was up to the board.

Mr. Habel: A Tory board.

Mr. Diefenbaker: He had the power of veto.

Mr. Browne (Vancouver-Kingsway): He would not accept the board's decision when they told him to resign.

Mr. Diefenbaker: He did not ask for it, hon. members opposite say. It is better to receive than to ask. He had the power of veto.

Mr. Habel: The Prime Minister should know.

Mr. Diefenbaker: And I am glad to see that hon. gentlemen opposite are now behind this pension. They have been against it all along.

Some hon. Members: Hear, hear.

Mr. Pearson: On a point of order, Mr. Speaker, the Prime Minister asked me a question and then proceeded to answer it. He asked me whether I thought this pension was excessive. In the first place, I am not worring about my own pension, as is the Prime Minister.

Mr. Diefenbaker: I know.

Mr. Pearson: I say, Mr. Speaker, that this pension was excessive and the Tory board of directors should never have allowed it.

Some hon. Members: Hear, hear.

Mr. Diefenbaker: I am not going to answer that question, Mr. Speaker, because the Liberal members of the board approved it also. I am pointing out that this man had the right of veto. What did he do? Until 1956 there was provision that all these matters had to be approved by the governor in council. It was on the occasion of the last amendment that some alteration was made to that provision. However, the provision still remained that it was to be published in the *Canada Gazette*. They hid if from the government, and when I say "they"—

Mr. Pearson: What a cheap insinuation.

Mr. Diefenbaker: —I refer to Mr. Coyne. He did not mention it at any time, nor did anyone on his behalf mention it.

An hon. Member: Incredible.

Mr. Diefenbaker: He not only maintained silence, but he did not publish the order in the *Gazette* until when? Until the information came out; and then he rushed to the *Gazette* about two weeks ago and made sure that he would get it, and that there would be no slip up in that connection.

An hon. Member: Slurs.

Mr. Diefenbaker: What are you talking about? Slurs? I really thought he would have disavowed this action and would say "I don't want that". But instead of that, two weeks ago or three weeks ago—I can give the exact date if required—he proceeded to have it put in the *Gazette* to be sure it was legal after it had been revealed that he was in receipt of it. Then they talk to me about slurs.

Now I come to the last part of my observations. I intend to be brief, because I wish to conclude before one o'clock. Mention has been made of a document which was attached to one of the governor's letters, a document dated February 15, 1961. These are his proposals, and I shall have to read them in order that we may understand whether there is disagreement between the policies of this government and Mr. Coyne. As I said earlier, the opposition is increasingly placing itself in the position that it is behind these proposals. They are trying to evade it; they are talking about one subject and another, but that is their position. They, by taking a stand on this purely legal matter, this purely parliamentary matter, are placing themselves in such a position that I should point out what some of these economic recommendations were.

He is going to raise tariff walls a 10 per cent surtax on all imports. He is going to disavow international trade agreements; he is going to continue tight money whatever the consequence. I ask the opposition, do they want a governor who is going to insist on the prerogative right to impose these things from his position? Are they going to ask the government to have a governor who says that these are the proper courses to follow? Well, I might even quote from *Maclean's* magazine with regard to one of the lesser deities, Mr. Lamontagne. I did not mean lesser; I mean one of the greater. He said this:

> The direction Mr. Coyne would like the Canadian economy to take would lead our country to a dead end.

They sit over there and take their advice from him, the advice they got from this dirigisme conference at Queen's. I ask them who is right, Coyne or Lamontagne? I ask the hon. member for Essex East when he replies, because he is getting ready—he is going to speak for ten days—whether he believes in a restriction on the free import of automobile parts up to 40 per cent of their value. That is what Mr. Coyne believes in.

Mr. Martin (Essex East): Is the Prime Minister asking me a question?

Mr. Diefenbaker: Does he believe in the restriction of the free entry of tourist purchases and the imposition of a Canadian sales tax and the imposition of customs duties on tourist purchases? I only hope we hear from the hon. member about these things, because Essex will be interested. Do members opposite believe there should be a restriction on Canadian travel in the United States, and a restriction on automobile mileage by a federal sales tax on gasoline and diesel fuel in order to finance a highway policy? Do they believe there should be toll charges on certain highways and bridges? These are some of the things about which Mr. Coyne says "This is the course to follow; behold, the road". This is the road he pointed out to the government.

Furthermore, do they believe in restricting the consumption of various luxury items by newer and higher taxes? Do they want an increase in the income tax and the corporation tax? That is what he suggests. Do they want the restriction of the "present indiscriminate three years' exemption of new mine operations from income tax", or a restriction of the present standard depreciation schedules?

These are the courses he would have us take. This government will not take many of his recommended courses, I can assure hon. members of that; and as long as we take that stand, this government intends to govern and not to have its direction determined by one who follows a course which we cannot and shall not accept.

Hon. Paul Martin (Essex East): In the half minute which remains I simply want to say this. The Prime Minister is, of course, a great talker. He can almost make you forget what you are supposed to be talking about or, if you are a visitor, what you came to see him about.

May I call it one o'clock?

At one o'clock the house took recess.

AFTER RECESS

The house resumed at 2.30 p.m.

Hon. Paul Martin (Essex East): Mr. Speaker, the Prime Minister began this morning by quoting the oath taken by the governor of the Bank of Canada. I wish to begin what I have to say this afternoon by quoting the oath of members of the privy council which is as follows:

Governor of Bank of Canada

You ... do solemnly promise and swear that you will serve Her Majesty truly and faithfully in the place of her council in this Her Majesty's Dominion of Canada, you will keep close and secret all such matters as shall be treated, debated and resolved on in privy council, without publishing or disclosing the same or any part thereof, by word, writing, or any otherwise to any person out of the same council, but to such only as be of the council, and yet if any matter so propounded, treated and debated in any such privy council, shall touch any particular person, sworn of the same council upon any such matter as shall in any wise concern his loyalty and fidelity to the Queen's Majesty, you will in no wise open the same to him, but keep it secret, as you would from any person, until the Queen's Majesty's pleasure be known in that behalf.

The oath then continues, Mr. Speaker, but I do not intend to quote the remaining part of it. I will content myself at this stage with the recital I have given.

I do not rise to defend any disclosure made by the governor of the Bank of Canada, which may after proper determination be regarded as a violation of an oath taken by senior government officials. What I do say is that if the governor of the Bank of Canada was looking for a precedent for what he did, he has that precedent in the disclosure made in this house by the Prime Minister of Canada in January of 1958 when he unfolded a secret document which had been prepared for the use of members of the government. I refer to his tabling of the secret "Canadian Economic Outlook for 1957". Let there be no question as to whether that was a secret document.

Mr. Churchill: No.

Mr. Martin (Essex East): Here is the document that was tabled by the Prime Minister which as a privy councillor I have in my possession. I hold a copy in my hand. On the blue cover for everyone to see is marked the word "secret".

The Prime Minister this morning in his speech, which was full of diversion, which did not address itself to the point at issue, said that we had agreed that this legislation was no longer necessary because of the position we have taken in our statements that the usefulness of the governor had been impaired, and that his usefulness had been destroyed.

I say this to the Prime Minister. If the government had acted when it should have acted, when it first had a disagreement with the governor of the Bank of Canada, along the lines mentioned by the Prime Minister this morning it would not have been necessary to bring this legislation forward at this time. Moreover, this whole regrettable incident—an incident which touches the very essential character of our finance structure—should have been avoided, and there would not have existed this increasing measure of disquietude over financial policy, or over the relationship of the central bank to the government of this country. All that could have been avoided if the government had taken, what the Prime Minister at long last acknowledged this morning, the proper course in the event of a dispute between the governor of the Bank of Canada and the government, not only in the field of monetary policy but in matters that touch fiscal, debt management and financial policy as well.

I say now that in view of the disclosures made yesterday by the governor of the Bank of Canada—and I am not now seeking to defend the method by which those disclosures were made—one would have expected the Prime Minister of this country, not to have to be asked to agree to the setting up of a committee for the purpose of examining this matter, but to have joined with the rest of us, in giving this house the lead, in demanding that an examination be made in a committee of this house of the disclosures, and particularly those mentioned by Mr. Coyne yesterday. No, Mr. Speaker, there was not any mention at all of the substance of the governor's statement of yesterday and of the three letters which accompanied that statement and which were made available to the public.

The Prime Minister has asked why all this fuss by the opposition at this time when the usefulness of the governor has ceased. He suggested that was what members of the Liberal opposition had affirmed. I say to the Prime Minister that the governor's usefulness now may have ceased, but we contend that his rights as an individual in Canada have not ceased.

We are not arguing, as the Prime Minister sought to suggest in the introduction of a red herring, that the supremacy of parliament is involved. No one questions the right of parliament, under section 91 of the British North America Act, to exercise whatever power, whatever act, whatever judgment, whatever disposition it wishes to make. Of course parliament is supreme, supreme over every emanation of the crown, supreme over the governor of the Bank of Canada. Parliament's word is final. There is no dispute about that.

The issue is a simple one. It is simply whether or not in a matter so complicated as this, where statements made by the Prime Minister are so diametrically opposed to those of the governor of the Bank of Canada, we are going to have a proper determination of that issue, not by the vote of a strong majority, but by the vote of a committee which conscientiously and objectively wishes to examine all of the facts.

We have based our contention upon the inalienable right that has been recognized in

this country and in all countries of the commonwealth, as well as in most countries of the western world, now for many centuries, and which has now been confirmed in the bill of rights introduced by the Prime Minister on July 1, 1960. The Prime Minister says that the bill of rights does not apply to non judicial processes. I have before me a copy of the bill of rights which bears the signature of the Prime Minister and a quotation from one of his speeches. This is the printed copy which is distributed throughout the country for the price of $1. This statement will be found in the copy of the bill of rights. It says nothing about judicial process; it says nothing about being confined to matters involving criminal law. It says:

> No law of Canada shall be construed or applied so as to (e) deprive a person—

And the governor of the Bank of Canada is a person.

> —of the right to a fair hearing in accordance with the principles of fundamental justice for the determination of his rights and obligations.

Are we to say that the bill of rights, this document which I hold in my hand, is something which applies only to those, as I said the other day, who are charged with a violation of the criminal law? If that is so, what we are saying then is that the bill of rights applies only to those who are charged with crimes, but it does not apply to those who are in the eyes of society guilty of something less than a crime; it does not apply to one who has served his country, as has the governor of the bank. Perhaps we will not all agree with his policies. We do not, but nevertheless he stands as a citizen honourable and fearless in the position that he takes. Are we to take the position that the bill of rights applies to a criminal and not to one of our top officials, namely the governor of the Bank of Canada? Are we to say that in this country, this free country, with our bill of rights? Are we to say with regard to the governor of the Bank of Canada that we cannot accord him the kind of treatment that is applied to other individuals in other countries? In Israel today, Mr. Speaker, a man is being tried for having done away with 6 million human beings. He is being accorded and afforded the right of a trial that is being denied in this instance by the government of Canada.

Apart altogether from matters that involve the position taken by the governor of the Bank of Canada there are others about which I am going to say something today and which I believe require further elucidation. I believe that the only way that elucidation can be provided is by the processes employed in a committee where the instrument of examination is afforded in a manner, not normal to our practices in this chamber, to find out, for instance, what are the circumstances surrounding this pension which, as the Leader of the Opposition said this morning, is excessive, to find out the circumstances that caused the board of directors of the Bank of Canada, a majority of whom were members of the Conservative party and appointed by the government to provide that pension.

Mr. Martineau: Will the hon. member permit a question?

Some hon. Members: Sit down.

Mr. Martin (Essex East): At the end of my speech. We are entitled to ascertain why a close friend of the Minister of Finance, a man of character and integrity, took the initiative in providing this pension. Should this house be denied the opportunity of knowing what are the circumstances attending the initiative which he took in this matter? That and many other questions are involved in our request that through the instrumentality of a committee of this house an opportunity should have been provided to examine witnesses—something that is open to members of the other place. The Minister of Finance is a member of the House of Commons. He is a member of the banking and commerce committee. In any event, as the Minister of Finance, he would have the right to come before that committee and be accorded the fullest rights. This house composed of ladies and gentlemen elected by the people is the place to provide that committee. It is a right that should have been accorded, a duty that should have been recognized at once by the government of the day. That is the issue, not all these side issues that the Prime Minister has introduced. The main issue in this whole affair is that the government of this country, for some inexplicable reason, has refused to give us an opportunity to go before the banking and commerce committee so that we could have the fullest possible disclosure of all of the facts involved in this matter.

Yesterday the governor of the Bank of Canada issued another statement. I do not comment on the wisdom of that act except to say that we have the document before us and with it copies of three letters sent out, two by the governor to the Minister of Finance and one by the Minister of Finance to the governor—

An hon. Member: Confidential letters.

Mr. Martin (Essex East): —marked "private and confidential", just like the secret report to which I made reference a moment ago. We have had no comment by the Prime

Minister on the substance of this statement or of these letters. I now wish to examine them.

During the course of the debate, particularly on July 4 and July 5, the Minister of Finance led us to believe that there had been only one meeting with the governor on the question of liquidity reserve assets of the chartered banks, which is the major cause of this whole dispute and without which, unless there is a full understanding, there cannot be a full appreciation of the problem involved in the dispute between the governor of the Bank of Canada, on the one hand, and the Minister of Finance, on the other. He said that the governor was flatly categorical and rejected his request to him with respect to the bank liquidity reserve requirements. The minister said that after that he referred to the act and to his surprise found that the government had no authority in the field of monetary policy. These words of the Minister of Finance will be found, first of all, at page 7523 of *Hansard*, where he said:

I had my talk with the governor in this respect, and I have told the house about the discussion which we had.

The minister's remarks continued in this vein at page 7524 of *Hansard*. Then, as found at page 7525, he said:

They were always prepared to explain it and to defend it. But, Mr. Chairman, the stage had been set at the very beginning at this meeting of 1957-58.

Not "in these meetings" but "in this meeting". The contention of the Minister of Finance, as I have revealed and will continue to show, was that there was one meeting between himself and the governor with regard to this matter of the liquidity assets ratio of the chartered banks. Then, at page 7554 of *Hansard* for Wednesday, July 5, the Leader of the Opposition said in the course of his speech:

Now the minister has told us there was one time—and he does not give us details of the time, place or circumstances—away back in the winter of 1957-58 when the governor angrily and firmly refused such a request.

The Leader of the Opposition said:

—he does not give us details of the time, place—

Not "times" and "places" but the time and the place. Then the Minister of Finance followed and said:

I shall not attempt to fix the date precisely.

He did not say "dates"; he said "date". Then he continued:

It would be November or December of 1957, and the occasion—

Not "occasions".

—was one on which I conveyed to the governor a request of the government for a reduction in the liquidity reserve requirements with reference to the chartered banks—

[Mr. Martin (Essex East).]

On the words of the Minister of Finance alone we have the suggestion that there was one meeting—

Mr. Fleming (Eglinton): No.

Mr. Martin (Essex East): —when in fact we know that there were more meetings and the Minister of Finance now confirms it by saying "no".

Mr. Fleming (Eglinton): One where this incident occurred.

Mr. Martin (Essex East): I ask my hon. friend to deny that there was a meeting on October 30, 1957, to deny that there was a meeting on November 12 of the same year, to deny that there was a meeting on November 14 at which not only was the governor present but also Mr. Beattie and the deputy minister of the Department of Finance, Mr. Taylor, and another meeting which took place on November 18 when there were present Messrs. Beattie, McKibbin, the Minister of Finance and the deputy minister of finance.

So that we have on this one point a contradiction between what the Minister of Finance said—

Mr. Fleming (Eglinton): There is no contradiction.

Mr. Martin (Essex East): —to us in this house and what are the real facts as revealed by this further disclosure through the statement of the governor of the Bank of Canada and now confirmed by the uttered acknowledgement of the Minister of Finance.

Mr. Fleming (Eglinton): There is no contradiction there at all.

Mr. Martin (Essex East): My friend says that there is no contradiction. Before I have completed what I have to say my hon. friend will find that there are other contradictions in which he has misled this house. Then the minister said, as found at page 7555 of *Hansard*:

No communication in writing passed between the governor and myself in relation to this incident.

Mr. Fleming (Eglinton): This incident.

Mr. Martin (Essex East): I continue:

Any communication of such a nature would, of course, have been confidential.

No communication passed between the Minister of Finance and the governor of the Bank of Canada regarding this question of liquidity asset reserves of the Bank of Canada.

Mr. Fleming (Eglinton): No, no. Mr. Speaker, I am rising on a point of order.

Mr. Martin (Essex East): When I have finished my hon. friend can reply.

Mr. Speaker: Order.

Mr. Fleming (Eglinton): On a point of order, Mr. Speaker, the hon. member has a passage and now he completely changes it when he goes on. The words were:

> No communication in writing passed between the governor and myself in relation to this incident.

Mr. Speaker: Order.

Mr. Walker: Why don't you do it straight for a change?

Mr. Speaker: Order. If there are statements which in the opinion of other hon. members require explanation, unless the member who has the floor yields it they should be deferred until the end of the speech.

Mr. Martin (Essex East): Let there be no question that the incident is the incident of the meeting which the minister acknowledged took place in November, 1957, and which I say also took place on three other occasions—

Mr. Fleming (Eglinton): You are just twisting things.

Mr. Martin (Essex East): —having to do with the question of the liquidity reserve position of the chartered banks. That is the incident to which we are referring, and there were communications—

Mr. Fleming (Eglinton): You are just twisting.

Mr. Martin (Essex East): —notwithstanding what the Minister of Finance said and now seeks to say when he is caught in this particular predicament. First of all there is the letter of the governor dated November 19, 1957. There is the letter from the governor dated December 5, 1957. There is also the letter of November 21 of the Minister of Finance himself dealing with this incident, the issue involving the question to which I referred a moment ago, the liquid asset ratio of the chartered banks of Canada.

An hon. Member: Signed by?

Mr. Martin (Essex East): It is signed by the minister, "Donald M. Fleming". In his letter of November 21 the minister acknowledges the letter of the 19th and goes on to point out the following to the governor of the Bank of Canada. First of all I quote from the minister's letter part of a paragraph used by the minister based on the letter written to him by the governor of the Bank of Canada and which sets out what the true position of this matter was. The particular sentence from the governor's letter reads as follows:

> If the banks were to suggest dissolving their agreement or changing it in a way that did not appear sound to the Bank of Canada then I would feel it to be our duty to urge the chartered banks to continue to adhere to what the Bank of Canada regarded as sound practice.

The important word there is "urge". The Bank of Canada took the position that the question of the liquidity position of the banks was a matter arranged for by the banks themselves and with regard to which the president of the Royal bank, Mr. Muir, said that he would regard it as being an arrangement from which he could voluntarily withdraw if the circumstances justified. It was not a policy arrived at by the Bank of Canada.

Mr. Fleming (Eglinton): Yes, it was.

Mr. Martin (Essex East): It is true that the Bank of Canada in 1955 had suggested to the banks the desirability of this course but it was an act involving the banks themselves, and this was acknowledged by the Minister of Finance himself.

Mr. Fleming (Eglinton): It was not.

Mr. Martin (Essex East): My friend says it was not. Let us see whether it was not. On April 28, 1959, here is what the Minister of Finance said in this house as found at page 3111 of *Hansard* when he spoke against reducing the 15 per cent minimum liquidity ratio. Here are the words of the Minister of Finance:

> That is the statutory obligation of the banks, to maintain a cash reserve of 8 per cent measured in terms of deposit liabilities. In addition to that figure the banks of this country have for the past three years maintained an additional reserve of 7 per cent which has been held in the form of treasury bills and day to day loans... If the 7 per cent reserve that the banks hold in terms of treasury bills and day to day loans were reduced it would result in a liquidation of treasury bills and more pressure on the treasury bill rate in this country. But hon. members opposite did not have the frankness to face up to that fact yesterday or even to acknowledge it.

Yet the Minister of Finance said that this was a matter determined as the result of a statutory imposition by the Bank of Canada on the chartered banks when—

Mr. Fleming (Eglinton): It was an imposition.

Mr. Martin (Essex East): —his own statement is proof of the fact that this was an arrangement to which the banks voluntarily committed themselves. Here is the letter of the Minister of Finance and yet he said there was no communication that passed between him and the governor in this matter.

Mr. Fleming (Eglinton): In relation to this incident.

Mr. Martin (Essex East): Yet there are the two letters of December 15 and November 19.

Mr. Fleming (Eglinton): I said, in relation to this incident.

Mr. Martin (Essex East): But, Mr. Speaker, this is not the only situation with regard to this question as to whose responsibility it was. My hon. friend will recall that at page 7556 of *Hansard* of July 5 he had this to say:

> I have to say that this is a matter of the clearest kind of dispute between Mr. Coyne's version of what happened and the version of the chartered banks, because I had occasion in those days to confer with a number of the chartered banks on this question, and the answers I invariably received from them were that this was imposed upon them by Mr. Coyne and they did not agree to it. They firmly disagreed with the statement which appeared in the report of the governor of the bank which the Leader of the Opposition has read.

Notwithstanding that, I challenge the Minister of Finance to deny what the governor of the Bank of Canada said yesterday.

Mr. Fleming (Eglinton): I do deny it.

Mr. Martin (Essex East): I have not even made the statement, so how can the minister deny it?

Mr. Fleming (Eglinton): I know what he said in this respect yesterday, and I deny it.

Some hon. Members: Oh, oh.

Mr. Martin (Essex East): The suggestion to reduce the liquid asset reserve was supported by the president of the Dominion bank, Mr. Ashforth. Mr. James Muir of the Royal bank did not think the suggestion of the minister of lowering the figure from 15 per cent to 13 per cent was desirable. He did not think it was necessary. We know that at that time it was not 15 per cent. It had gone over 15 per cent. It was as high as 17 per cent on some occasions.

Mr. Aiken: Will the hon. member permit a question?

An hon. Member: Sit down.

Mr. Martin (Essex East): We know that Mr. Gordon Ball, president of the bank of Montreal had taken issue with the desirability of reducing the liquidity position of the reserves of the chartered banks in this particular. We know that Mr. McKinnon, president of the Canadian bank of Commerce had taken a similar position. And so the Minister of Finance who says that the bankers supported him in the position he has taken, is of course, denied by the disclosures made yesterday showing that the bankers, outside of Mr. Ashforth, did not believe it was a desirable thing.

Mr. Fleming (Eglinton): I disagree.

Mr. Pearson: No wonder the minister did not want a committee of the house.

Mr. Martin (Essex East): As the Leader of the Opposition said, no wonder the Minister of Finance did not want a committee of this house. It was not only the bankers. We know from this document given out yesterday by the governor of the bank that the deputy minister of finance did not agree with and support the position taken by the Minister of Finance. He did not think it was desirable. He did not believe that this was the responsibility in the primary instance of the bank. He thought that the position the bankers themselves concurred in at the suggestion of the bank in 1955 was a good one to maintain. So we have this further contradiction of the statements made in this house by the Minister of Finance.

Mr. Aiken: Will the hon. member permit a question?

Some hon. Members: No.

Mr. Martin (Essex East): They are state ments that show a difference on vital points. After these disclosures there can be no justification for the government taking the position that this whole matter has been properly gone into when we have these contradictions, as well as contradictions to the facts as stated by the Minister of Finance, showing conclusively that what the Minister of Finance told us on July 4 and July 5 was not in accordance with the facts. But, Mr. Speaker, this is not the only question where there is a contradiction. This is not the only matter involving the credibility of what the governor of the bank said and the credibility of what the Minister of Finance has said in this house. This is the issue, and it is one which involves the determination as to which of these two gentlemen is telling us what really were the facts in all these matters.

In our suggestion that there should be an examination of this matter by a committee, and when we urged that the governor of the bank be called before a committee, it was suggested at one time in our argument that perhaps the governor on some occasion had asked for the opportunity to go before a banking and commerce committee in order to outline his views about the desirability of lowering this 15 per cent figure down to 13 per cent. The minister took the position that it was psychologically embarrassing to him at a time when there was a complaint about tight money for the banks to have this figure of their reserves at 15 per cent. The governor said, "Well, I should like to help you. I do not believe that this is a contributing factor to tight money. I should like to go and help you before a proper committee of the House of Commons." That is what the governor of the bank said. Yet the Minister of Finance

told us that at no time was any offer made by the governor of the Bank of Canada to go before a committee.

Mr. Fleming (Eglinton): I would ask the hon. member to quote the actual words I used.

Mr. Martin (Essex East): I have before me here the minister's letter—

Mr. Fleming (Eglinton): Quote from *Hansard* the words I used.

Mr. Martin (Essex East): I have before me—

Mr. Fleming (Eglinton): Will you quote from *Hansard* the words I used.

Mr. Martin (Essex East): My friend can quote them. I am giving the statement.

Mr. Fleming (Eglinton): You are misconstruing them.

Mr. Martin (Essex East): Give me the page and I will quote them for you.

Mr. Fleming (Eglinton): You should have the page reference.

Mr. Martin (Essex East): All right. I made the statement. I said that the minister did say in this house that there was never any offer made by the governor of the Bank of Canada to go before a committee of this house. Let us see who was telling the truth in this situation. This is a copy of a letter sent by the governor of the Bank of Canada to the Minister of Finance on December 5, 1957, and I read from the second last paragraph of that letter:

> If you feel it would be helpful I would, as I told you earlier, be glad to appear before the banking and commerce committee of the House of Commons to explain the facts of the situation or to discuss any matters on which you felt parliament should be informed.

Mr. Speaker, the only way in which the Minister of Finance can controvert the substance of what I have said regarding this letter is to say that he never received such a letter from the governor of the Bank of Canada dated December 5, 1957; and I invite him now to deny that he received it. If he did receive that letter, then the information that he gave this house when we were about to take a vote was not in harmony with the facts. It was not a statement made in accord with the truth. That is the fact and no amount of forensic talent will be able to disturb that fact.

So we have this situation. The governor of the Bank of Canada has successfully indicated that there was not only one meeting but that there were four meetings at which the deputy minister and others were present. He has further contradicted the Minister of Finance who said that there was no communication between himself and the governor of the bank. He has successfully established, from the action of the presidents of the banks themselves and from section 71 of the Bank Act, that the decision with regard to the percentage of liquidity asset reserves of the chartered banks was a decision which arose not out of any power residing in the governor under the Bank of Canada Act but as a result of a decision voluntarily entered into by the chartered banks themselves, first in 1955, and then continued on into subsequent years.

Then we have the further contradiction of the statement of the Minister of Finance by the governor who pointed out that the governor had offered to go before a committee of this house.

Are we not now faced with an unfinished situation, Mr. Speaker: The matter was not concluded with the final observations of the speech of the Minister of Finance the other day because since that time, as I say, we have further material before us, and it is material that takes serious issue in points of substance involving the credibility of two Canadian citizens, one the governor of the bank and the other the Minister of Finance. Are we now to take the position that this matter is over? Are we to take the position that this house is going to resolve this matter finally and send it to another place without having taken into account the circumstances involved in the further disclosures that have been made by the governor of the Bank of Canada?

I regret to say, Mr. Speaker, that in view of the information given the committee of the whole by the minister on July 4 and 5, information which has clearly been shown to be inaccurate, misleading and untrue, there is no course open now to the Minister of Finance under our system of government, if we want to live up to the traditions of the parliament in the United Kingdom, other than to turn in his seals of office.

Some hon. Members: Hear, hear.

Mr. Martin (Essex East): If the minister does not take that position, that will be up to him; that will be up to the government as a whole; that will be up to the Prime Minister. Can the Prime Minister, in the face of this situation, now fail to not only join in the request but actually take a lead in seeing to it that this house, through the proper committee, is given an opportunity of hearing the governor, of hearing the deputy minister of finance, of hearing the Minister of Finance and of hearing the board of directors of the Bank of Canada? Then at long last we can settle once and for all the questions involved

in this complicated and regrettable incident created as a result of the reluctance and the failure of this government at the proper time to exercise the privilege which a government should exercise, instead of abdicating its responsibility and not letting the governor of the Bank of Canada know three years ago that it was master in this house and in this country.

That is what the government should have done. It is because the government has not taken this course that we have this whole incident before us. So the two courses that are now open are clear. There is the one I have suggested with regard to the Minister of Finance himself and there is the other involving the right of this parliament, through the proper procedures and instrument, to arrive at the facts involved in this matter. To take any other course will be to leave this house, a year after the bill of rights was passed, saying that we were proud on July 1, 1960 to pass this measure confirming, as it does, the basic freedoms and human rights accorded to all Canadians. While we were proud to place this measure on our statute books, we regret that the government of the country, a government with a great majority behind it, was not prepared to take a step consistent with the implications of that bill of rights and afford the fullest hearing in this matter, thereby giving one individual the right —and giving the Minister of Finance the right —of having his side of the case properly exposed for final judgment before we pass this measure in final form on third reading.

Is that not the situation, Mr. Speaker? Hon. gentlemen opposite may not accept that course. If they do not, whatever red herrings they introduce they may be sure of one thing. This is now being echoed all across this country. While they feel that the governor's usefulness has ended; while they feel that perhaps some of his actions were unwise; while they do not fully agree with all his policies, the Canadian people, dedicated to freedom as they are, will hold this government accountable for having denied him the inalienable right of being heard by those who pass judgment on him.

Mr. Chevrier: Mr. Speaker—

Mr. Fleming (Eglinton): Mr. Speaker, I rise on a question of privilege. I have no right to speak in this debate on third reading, having moved the motion for third reading. Under previous rulings of the Chair there is no right of reply accorded to the mover of the motion for third reading. But I rise on a question of privilege.

Mr. Speaker: If the minister is concerned about that, my disposition would be this. As he did not speak in moving the motion, and as I have permitted earlier in this session. I would allow him to speak, but of course not to close the debate. The same course was followed in a previous debate this session. If there is any contest about that of course the matter can be discussed, but the principle of the deferred speech of a mover has been recognized from time to time.

Mr. Pearson: On this point, Mr. Speaker, you may recall that last session, I think it was, I was in a position technically the same as the Minister of Finance, having moved a motion. You said, and quite rightly, because the matter was brought to your attention by hon. gentlemen opposite, that I had no right to speak.

Mr. Speaker: Then I will hear the minister on his question of privilege.

An hon. Member: Closure.

Mr. Pearson: Perhaps I may say on that point, Mr. Speaker, that I do not want my remarks to be interpreted as suggesting that the minister should not be given the right to speak.

Some hon. Members: Order.

An hon. Member: Shut up.

Mr. Pearson: If the ruling which applied in my case is the correct one, the minister will not have the right to speak, but all the house leader has to do is move the previous question, and the minister can then speak to his heart's content.

Mr. Fleming (Eglinton): Then I rise on a question of privilege, Mr. Speaker. The hon. member for Essex East has made some very strong statements. He has said that I misled the house in certain statements I made in recent days during discussions on this particular subject. He has attributed to me statements which have been read out of context and twisted in their presentation. Therefore I shall deal with these several matters.

I think it is not unworthy of note, Mr. Speaker, that the hon. member has drawn his whole speech today from an editorial appearing today, as I am told, on the front page of the Toronto daily *Star*.

Mr. Martin (Essex East): I never even saw it.

Some hon. Members: Oh, oh.

Mr. Martin (Essex East): But I should like to see it.

Mr. Fleming (Eglinton): Then there is some amazing telepathy going on here. There are other ways of learning about the contents of a newspaper than reading it.

Mr. Pickersgill: Mr. Speaker, I rise on a point of order. The hon. gentleman has asked to speak on a question of privilege. We have asked to speak on a question of privilege. Your Honour has always been very precise in asking us to state specifically what the question of privilege was and making us stick strictly to the question of privilege. I suggest that the same rule should apply to both sides of the house.

Some hon. Members: Hear, hear.

Mr. Speaker: From what has been said I think the situation is rather that of an hon. member rising to make a personal explanation and to challenge what has been said about the veracity of his statements. During the remarks of the hon. member for Essex East I did indicate that there would be an opportunity at the end of the speech for the minister if he would refrain until that time, to make his explanation. But it should be relevant to the remarks made and should certainly not be a speech in the debate.

Mr. Fleming (Eglinton): Mr. Speaker, there were, as I gather, about three elements in my previous statements in this debate upon which the hon. member for Essex East has based charges that I misled the house. I shall be glad to deal with those.

In the first he says, in effect, that I said there was one occasion of my discussing with Mr. Coyne in late 1957 the question of the tight money policy. He now says there were, according to Mr. Coyne, four such meetings and there was correspondence. Here is a fine example of the way in which the hon. member for Essex East has twisted and contorted what I said. My statement is at page 7040 of *Hansard* of June 26, where I am reported to have said:

> In the winter of 1957-58 I conveyed to him a request for an easing of the requirements respecting the liquidity reserves of chartered banks. That request, which was designed by the government to ease tight money, was rejected by the governor firmly and angrily.

The hon. member has undertaken now to say there were other occasions. Mr. Speaker, there was no occasion other than the one I referred to here where I conveyed to the governor the request of the government for a reduction in the liquidity reserve requirements of the chartered banks and where he at that meeting firmly, flatly and angrily rejected it. That is what we are talking about when we refer to this incident, and it is about that incident that I was asked this question by the hon. member for Essex East, or someone else. It was following the observation of the Leader of the Opposition as reported at page 7555 of *Hansard* of July 5, and here I should like to read, so that the house may understand, exactly what the Leader of the Opposition was saying:

> Mr. Pearson: Well, until this incident—

Please note the words, "this incident".

> —the minister had thought he had some authority in this field. It was not very long before this meeting that he was very clear and certain about the authority of the government in this sphere. When this meeting took place he was of the opinion that he might have some authority, but then he discovered he had no authority or responsibility in the field of monetary policy, at least until last evening.
>
> May I ask the minister whether this clash—and we certainly have the right to call it a clash in view of the terms of the minister has used, because this was a request which was firmly and angrily rejected by the governor—took place before or after November 13, 1957? Hon. members may recall that on November 13, 1957 the minister, replying to the hon. member for Coast-Capilano as reported at page 1063 of *Hansard* said he was not aware of anything that could be called a clash between the government and the bank.
>
> I should like also to ask the minister, while we are on this basic incident, whether a record of any kind was made of this meeting, the conclusions of which were so important in the minds of the government that three and a half years later, based largely on those conclusions, they decided to introduce an act of parliament to discharge the governor of the Bank of Canada without giving him the right to be heard. This obviously was an important meeting. This is the incident upon which the government builds up its accusation. It was years ago, but it is on this basis that the government decided that the governor had to go. As I say, this was obviously a very important meeting because of the important and responsible people who attended it, and I ask if any record was made of this meeting, which the minister thinks may have taken place in December, 1957; whether there is anything which he could disclose from such a record.
>
> I should also like the minister to deal with the other question I have asked him. I should like the hon. gentleman to tell us whether any further requests of this nature were made of the governor or of any servant of the bank, or of any of the banks; and if so, what was the result of any such request which was made subsequent to this meeting which took place some time in the autumn, presumably in December of 1957.

On that, I made this comment which appears in the second column of page 7555:

> I am not sure that I followed all the points raised by the Leader of the Opposition, but if I overlook anything perhaps he will draw it to my attention. No communication in writing passed between the governor and myself in relation to this incident. Any communication of such a nature would, of course, have been confidential. I have drawn attention to this matter because it established very clearly the fact that the governor held a different view from the one I had entertained and had expressed while in opposition as to the relationship of the government to monetary policy.

There was no correspondence between us with regard to that incident. The governor has now released copies of correspondence—confidential correspondence—throwing aside the restraints which hon. gentlemen observe with regard to confidential communications. He has released letters. The hon. member for

Essex East now says: oh, look at these letters. These letters related to the subject of easing the liquidity and reserve requirements. But, Mr. Speaker, the incident is what I refer to here. It was the incident that the Leader of the Opposition was speaking about in the observations which preceded my reply.

Some hon. Members: Oh, oh.

Mr. Fleming (Eglinton): This was an incident—an incident which occurred in my office in the presence of the deputy minister of finance, in the presence of the governor and other representatives of the Bank of Canada. That was where I put that proposition to him, and where he angrily rejected it. That occurred at a particular meeting and there was no correspondence about that incident. The Leader of the Opposition asked me to produce records to determine the particular date. I did not keep records of the kind the governor was evidently keeping, records in which he has apparently sent down his version of communications which passed at a meeting of the most confidential nature and which he has now chosen to disclose according to his version of those communications. But when the member for Essex East undertakes to tell this house that I misled the house in making the statement I did, as recorded at page 7555 of *Hansard,* that no communication in writing passed between the governor and myself in relation to this incident, I say he is wrenching my remarks and that the misleading is not on my part, but on his.

Mr. Speaker: Is the house ready for the question?

Some hon. Members: Aye.

Mr. Fleming (Eglinton): On the question of privilege, Mr. Speaker, I was going to deal with two other charges of the same nature made by the hon. member for Essex East.

Some hon. Members: Oh, oh.

Mr. Speaker: The minister has had a lengthy time in which to answer the accusations that he misled the house. He has dealt with the incident. If there is another episode of the same kind I trust that the hon. member can make his explanation briefly, because it would, in effect, be participation in the debate were he to continue at length.

Mr. Fleming (Eglinton): I shall endeavour to be brief, although these are grave things which the hon. member for Essex East has said this afternoon. I shall be very brief, then.

The second question is this. Taking statements of Mr. Coyne—and he takes them as truth—the hon. member sets them against what I have said in regard to the views that had been conveyed to me, as I stated to the house on July 5, in relation to the attitude of the chartered banks concerning this matter of liquidity reserves. There was this difference of statement on Wednesday, July 5 when I was asked this question by the Leader of the Opposition and others. Mr. Coyne has said that the banks accepted this 15 per cent liquidity reserve requirement by voluntary action. I said, based upon the information conveyed to me by the heads of chartered banks, that it was imposed upon them by Mr. Coyne. I stand by the statement that I have made and I do not care if Mr. Coyne chooses to disagree with it.

An hon. Member: You don't care.

Mr. Speaker: The hon. member has denied the statement as he is entitled to do, but I think it would be out of order to debate the matter. Is the house ready for the question?

Some hon. Members: Aye.

Mr. Pitman: No.

Mr. Fleming (Eglinton): I still have one of these charges to deny, Mr. Speaker.

Mr. Speaker: I certainly would not refuse the hon. member the opportunity to make a personal explanation when he has been accused of misleading the house, and if there is a further incident of alleged misleading I will certainly hear it.

Mr. Pearson: I think the minister should of course be given an opportunity to reply as a matter of personal privilege to any accusation which has been made which he considers not to be accurate, but when the minister replies in the terms in which he has spoken, and when he quotes in the course of his explanation at length from things I said as reported at page 7555 of *Hansard* in support of his case, I have the right to point out that if he had turned to page 7554 he would have had to quote himself in contradiction to what he said on the next page.

Mr. Speaker: If the hon. member would state the other item before he proceeds with it perhaps I could come to a conclusion, but it does seem to me now that we are verging on a debate rather than personal explanation, although the line is not an easy one to make clear.

Mr. Fleming (Eglinton): The other charge which was made by the hon. member for Essex East was that I had misled the house, as he said, in relation to the fact that Mr. Coyne, as he says now, contrary to what I said to the house, never made any offer to me to come before a committee of the house. That is a statement he has attributed to me.

If you will refer to page 7047 of *Hansard* of June 26, 1961, you will see I was there dealing with the statement made by Mr. Coyne earlier, which reads as follows:

> He has also for four years refused to allow the banking and commerce committee of the House of Commons to study my annual report or to examine my views as to whatever extent might be desired by members of parliament.

Mr. Speaker, at that time I said the statement was not true; as will be seen on the same page as follows:

> When the governor of the Bank of Canada makes this assertion that for four years I refused to allow the banking and commerce committee to study the annual report, what he is saying is not true.

I said further, as appears in the second column of that page, after reviewing the record of *Hansard* in that regard, as to my standing in the way of calling a meeting of that standing committee on banking and commerce, the following:

> To what I have already said in reference to debates in this house, let me add this further comment on what the governor has said. Never once in all these years did the governor say anything to me about wishing to appear before the banking and commerce committee or wishing his annual report to be referred to the banking and commerce committee or to any other committee. This statement of June 19 is evidently calculated to give the impression that he was telling me he wanted to appear before the banking and commerce committee to discuss his annual report and that I did not let him.

An hon. Member: Shame.

Mr. Fleming (Eglinton): It is on that statement that the governor of the Bank of Canada undertook to say that I misled the house, and his words have been parroted in the house this afternoon by the hon. member for Essex East. He bases his charge that I mislead the house on a statement appearing in a letter of December 5, 1957, written by Mr. Coyne to myself in which he talks about tight money and discusses the 15 per cent minimum liquid asset ratio of the banks. Perhaps I ought to read the paragraph from the letter. It is as follows:

> You have referred to the erroneous belief, which you feel is held by some people, that a condition of "tight money" was brought about by the adoption of the 15 per cent minimum liquid asset ratio by the banks and that it is necessary to change to a lower liquid asset ratio arrangement in order to convince people that monetary conditions have changed. I would hope that if there has been any public misunderstanding on this subject it is rapidly disappearing. If you feel it would be helpful I would, as I told you earlier, be glad to appear before the banking and commerce committee of the House of Commons to explain the facts of the situation or to discuss any matters on which you felt parliament should be informed.

You will observe that the letter relates to the question of the liquidity reserves of the bank and does not refer to the kind of statement on which I was commenting on June 26 when I said—

Mr. Pickersgill: Pure quibbling.

Mr. Speaker: Order.

Mr. Habel: Just a play on words.

Mr. Speaker: I think the hon. minister has made his position clear.

Mr. Fleming (Eglinton): Mr. Speaker, I at no time denied that there was an offer, as has been stated by the hon. member for Essex East. What I was dealing with on June 26, as clearly appears, was the question of the governor wanting to appear—wanting to appear—before the banking and commerce committee to study his annual report.

Mr. Habel: Get a flag.

Mr. Fleming (Eglinton): I do not believe that the—

Mr. Speaker: Order. I am sorry to interrupt the minister but I think he has had an opportunity to make his explanation and that I should now proceed to hear the hon. member for Peterborough.

Mr. Walter Pitman (Peterborough): Mr. Speaker, this morning we witnessed a most incredible performance in this chamber.

Mr. Habel: You should get a flag.

Mr. Fleming (Eglinton): The charge was false in every respect.

Mr. Pickersgill: That is not what the public thinks now.

Mr. Chevrier: Your statements are incredible.

Mr. Speaker: Order.

Mr. Pitman: I should like to deal with that speech of an hour and a quarter and particularly the three sentences which are of concern to this group. First, it is completely at variance with the facts to suggest that we have ever questioned the supremacy of this parliament. This government rose to power on the coat tails of Coldwell, Knowles and the present hon. member for Kootenay West (Mr. Herridge) who really fought the battle of 1957.

Some hon. Members: Oh, oh.

Mr. Drysdale: Where are they now?

Mr. Pitman: Second, we have never condoned a $25,000 pension. The Prime Minister's statement about not making a personal attack becomes rather ludicrous in light of the statement which struck at the honesty and good faith of a servant of the people in that particular regard.

Third, we have never associated ourselves with the proposals of the governor of the Bank of Canada. However, it is rather interesting that one of the proposals to which the Prime Minister did not refer this morning was the one in which the governor suggested that unemployment insurance payments be raised. If there is one thing that this government will not attack it is unemployment.

Those are the only three things to which the Prime Minister referred this morning. I repeat the issue is not whether parliament is supreme or the governor of the Bank of Canada is supreme. That question has been agreed upon by all of us in this house, as the Prime Minister himself indicated while spending most of his time reading portions from speeches made by the hon. member for Essex East and the Leader of the Opposition. The question is whether this parliament can deal with a situation without sufficient facts.

Mr. Pickersgill: Hear, hear.

Mr. Pitman: The real issue does not even concern Mr. Coyne but concerns what will be the relationship between the Bank of Canada and the Minister of Finance of this government. Eventually this parliament will have to deal with that question and we will be dealing with it on the worst possible basis because of incomplete information, prejudiced statements and emotion packed news releases.

All through the speech of the hon. member for Essex East the Minister of Finance shook his head and said, "No, no, no". I suggest this parliament will never know at what point there was a variation of opinion. Indeed in his question of privilege which soon became a speech the minister did little more than make a play on words and stated, in effect, that the correspondence which dealt with the subject of the incident had no relation to the incidence. Mr. Speaker, I do not have a legalistic mind but that is hair splitting to an extent I have never before seen in parliament.

We have reached a point now where we cannot get the information in this house but must go to our mailboxes every day in order to find out what is going on. I suggest we can only deal with the relationship of the Bank of Canada to this parliament with knowledge which can be gained solely by questioning in a committee of this house. That is the only means by which we can gain knowledge which will allow us to come to a sensible conclusion. The issue is not a question of the supremacy of parliament, but one of the intelligent conduct of parliament. Perhaps Mr. Coyne as the governor of the Bank of Canada is not covered by the bill of rights, but Mr. Coyne as a man should be heard because he is a citizen of this nation, and the bill of rights applies to him as a citizen.

We have been washing dirty linen in this parliament now for three days. We have now discovered that for four years the Minister of Finance has been sulking in his office because of an incident which took place in 1957-58. I suggest this whole problem could have been avoided or at least solved properly if we had amended the Bank of Canada Act. For four years we have had indecision and lack of co-operation during which the Minister of Finance refused to set his own house in order, with the obvious resulting disorder.

I am sure the people of this nation are going to wonder to what extent policy at the top has meant suffering at the bottom. We have had the highest unemployment rate in the western world this past winter. Families have been suffering and we are led to ask to what extent this has occurred because of chaos and confusion in this government, and its incompetence in putting its own house in order. Maybe after the names of Fleming and Coyne have disappeared the effects of what has been going on during the last few days will still be very much felt in this nation.

We have had this issue finally brought before parliament. Along with the hon. member for Essex East I would expect that on the other side of the house there would have been an even greater desire than on this side to have this thing aired, because we have had damning accusations and disturbing allegations which will remain on the record. What is going to happen to the confidence of the business community under these circumstances? How will the business community view the conduct of the affairs of this nation especially in terms of conditions over the past year? Referral of the bill to the committee will clear the picture of indecision and incompetence within this government. Surely it is in the interest of all those or the other side of the house to have this problem aired.

Probably never has the confidence of the people of Canada been at such a low ebb with respect to the government as a result of the debate in this house. Let us take this out of the realm of personalities completely. We remove the man whose good behaviour is not in any way in question. We are doing nothing in this same bill to improve the relationship of the bank, its governor and the Minister of Finance. We all know, Mr. Speaker, that the monetary success of this nation is based upon a delicate balance of power among the governor of the Bank of Canada, the Minister of Finance and the government. We realize that the final, overwhelming responsibility is in the hands of

this parliament; but the day to day balance must be there. As one member has said in the house, the road to totalitarian power begins with the exercise of irresponsible power over the day to day business of the Bank of Canada. We might well say that under the Conservative administration the balance of power has been allowed to rest to too great an extent with the governor over the past four years; but if this bill is passed the pendulum will swing to the other side. There will be no man who will take over the governorship of the Bank of Canada; that is, no man of courage or integrity—

Mr. Fleming (Eglinton): Shame on you.

Mr. Pitman: —no man who will speak what he believes, who will take over the governorship.

Mr. Fleming (Eglinton): That is character assassination in advance, of the worst kind.

Mr. Pitman: It is not character assassination, I suggest, because I do not know what character I am assassinating. What does this minister want, a minion with his hands on the machine to print the money?

Mr. Churchill: Don't copy the hon. member for Essex East in your own speeches.

Mr. Pitman: I am not quoting him.

Mr. Churchill: I said "Don't copy him".

Mr. Pitman: Does the minister wish a boot-licking slave who will have the power to print whatever money this government wants? We still do not know where that money is coming from. Is it going to come from abroad? No, because the exchange rate is going to rise. Is it going to come from the government's own people with the result that interest rates will go up? No. How is it going to come? The feeling of the people of this country must be that the government is going to print its own money with all the serious consequences that have taken place throughout the world when this irresponsible method has been used.

In conclusion, Mr. Speaker, I appeal to this government, on a non-political basis, to somehow or other put in a safeguard. The government has destroyed the delicate balance which should be maintained. I say to the government. What are you going to do between now and the time when the royal commission has brought down its suggestions for changing the Bank of Canada Act? Perhaps now, even more than in 1957, the opposition should carry out a filibuster in this house until the royal commission has brought down its report and the legislation has been put through because this country has never been as close to totalitarian power before as it stands today. Before this bill goes through this house, this parliament and this nation should receive some indication of what the safeguards will be because parliamentary democracy has been weakened. To use the words of the minister, it has been eroded.

In conclusion, Mr. Speaker, I suggest it is not the governor of the Bank of Canada who will be in the greatest danger when this bill goes through, but the people of Canada whose freedom will be in jeopardy.

Mr. D. M. Fisher (Port Arthur): Mr. Speaker, when the Prime Minister was speaking this morning I was interested in trying to catch in a personal way the thrill and the reaction in the public galleries and in the house to what was said. There is no question about it: He made the kind of speech that impresses people and moves them along a certain line with him, persuading his listeners that somehow this parliament had a case and that somehow the governor of the Bank of Canada had got in the way and was impeding the whole role of the elected representatives as reflected in this parliament. I wish to enter one caveat or reservation and say this from the point of view of an individual member.

I think it can be put in this form. There is a great deal of misunderstanding or, if you wish, nonsense talked about the responsibility of parliament and the supremacy of parliament. What is supreme in this particular parliament or in any Canadian parliament? Is it the Prime Minister? It seems to be that this is what it is; that the Prime Minister as the peak figure in the executive that is marshalled in this House of Commons feels that he is supreme in a sense and the rest of us, those of us who may not disagree, really cannot have or should not have in this forum, if he disagrees, the opportunity of finding out what parliament really means. It seems to me that what parliament really means is that each one of us has the right to examine and hear someone who is in power and carrying out his job as a result of the pleasure of this parliament.

I and many of my colleagues have felt on election night when the final totals are computed, that an incredible amount of power immediately falls upon the shoulders of the Prime Minister. I thought, in the campaign fought in the previous two elections, that the government were cognizant of this as a result of the stand they took in the debates in 1955 and 1956 but apparently they have very quickly taken over the conception of the supremacy of parliament which means the supremacy of the Prime Minister. This is one side of the Coyne-Fleming controversy. It seems to me we need some political thought and some political theory with relation to whether parliament as such, including all of

us, is a legal fiction or not, or whether parliament really means the supreme power, not of all of us but of the Prime Minister.

The other aspect of the Coyne controversy, Mr. Speaker, that is most intriguing, is the comic opera aspect of it. When I think what a small place Ottawa is, when I think that the Minister of Finance has an office just across the street from the governor of the Bank of Canada—with a strong throw you could easily pitch a rock over—when I think of the social milieu and the milieu of the officials and executives in Ottawa is not a tremendously great one; we are not like New York and Washington where hundreds of people are surging in all directions. These people are constantly meeting and bumping into each other, both in the executive and in the public service side of Ottawa. How we could have a situation going on as it is now revealed through the correspondence is nothing but comic opera. The Minister of Finance who really does not care for the governor of the Bank of Canada does not really do anything about getting rid of him until he is almost clear of him just through passage of time. This seems to me almost incredible. After 3½ years, almost four, in this small world of Ottawa, where all these clashes are taking place below the surface the Minister of Finance never got together with the governor of the Bank of Canada and worked out either some rapport or some rapprochement between them or worked out some way of having his say in so far as monetary and fiscal policy is concerned.

I think there is confusion on the part of all of us with respect to this issue, and unlike some of the speakers on both sides of the house I do not know that the Canadian people have much of a clue as to what is involved in this issue. I think they are tremendously confused by it all. I do not think they are able to conceive of the confusion that must exist in a government that for 3½ years will put up with a public servant who is going around the country talking on issues that quite obviously affect public and government policy. To wind up after all that with this kind of hassle involving letters being posted and confidences being broken in public means that the situation is simply a ridiculous one.

The only thing I can suggest as an individual and on behalf of our party is that perhaps the one way to get rid of the confusion, although for a time the situation may be made more confusing, is for the government to go to the people at once on this issue or on like issues that it feels are associated with it and we will get the matter cleared up once and for all whether Canadians want to go on with a government that is so incompetent and so much given to procrastination.

The house divided on the motion (Mr. Fleming, Eglinton) which was agreed to on the following division:

YEAS

Messrs:

Aiken	Legere
Allard	Letourneau
Allmark	Macdonald, Mrs.
Balcer	Macdonnell
Baldwin	MacLean (Queens)
Barrington	MacLellan
Baskin	Macquarrie
Beech	MacRae
Bell (Carleton)	McBain
Bell (Saint John-Albert)	McCleave
Belzile	McFarlane
Bourbonnais	McGee
Browne (St. John's West)	McGrath
Browne (Vancouver-Kingsway)	McIntosh
	McPhillips
Campbell (Lambton-Kent)	Maloney
	Martel
Campbell (Stormont)	Martineau
Cardiff	Martini
Chambers	Matthews
Charlton	Monteith (Perth)
Chatterton	More
Churchill	Morissette
Coates	Morton
Comtois	Muir (Cape Breton North and Victoria)
Cooper	
Crouse	Muir (Lisgar)
Danforth	Nasserden
Diefenbaker	Nesbitt
Dinsdale	Nugent
Dorion	O'Hurley
Drysdale	O'Leary
Dubois	Pascoe
English	Paul
Fairclough, Mrs.	Phillips
Fane	Pigeon
Fleming (Eglinton)	Pratt
Fleming (Okanagan-Revelstoke)	Rapp
	Regnier
Flemming	Ricard
Forbes	Richard (Kamouraska)
Fortin	Rogers
Fournier	Rompre
Frechette	Rynard
Grafftey	Sevigny
Green	Small
Grills	Smith (Lincoln)
Gundlock	Smith (Simcoe North)
Hales	Speakman
Halpenny	Spencer
Hamilton (Notre Dame de Grace)	Stearns
	Stewart
Hanbidge	Stinson
Harkness	Tassé
Hicks	Thomas
Hodgson	Thompson
Horner (The Battlefords)	Thrasher
Howe	Tremblay
Johnson	Valade
Jorgenson	Villeneuve
Jung	Walker
Keays	Webb
Kindt	Webster
Knowles	Weichel
Korchinski	White
Kucherepa	Winkler
Lambert	Wratten—129.

NAYS

Messrs:

Badanai	Howard
Batten	LaMarsh, Miss
Benidickson	Leduc
Boulanger	Lessard
Bourget	Loiselle
Bourque	McIlraith
Cardin	Martin (Essex East)
Caron	Martin (Timmins)
Carter	Matheson
Chevrier	Pearson
Clermont	Peters
Denis	Pickersgill
Deschatelets	Pitman
Eudes	Richard (Ottawa East)
Fisher	Roberge
Forgie	Robichaud
Garland	Tardif
Habel	Tucker—37.
Herridge	

Bill read the third time and passed.

BUSINESS OF THE HOUSE

Mr. Arnold Peters (Timiskaming): Mr. Speaker, before you leave the chair could I ask the house leader whether the government would consider a proposal I should like to put forward. Last night the house leader gave us a certain order of business. I was wondering, if it is our intention to adjourn at the end of this week, whether the house leader would consider postponing discussion of the civil service bill in particular, and possibly the dominion-provincial tax relations resolution, not because the civil service bill is contentious but because those hon. members who have spoken on this matter have indicated that it is not an immediate problem.

This bill contains 85 clauses, which will take some time to discuss. If the government wished, I think an arrangement could be made in this regard. I can only speak for myself, but I would be prepared to extend the hours of sitting tonight and Saturday if the house leader is not going to ask us to handle any other business. I think we could make an arrangement for this Saturday night.

Hon. Gordon Churchill (Minister of Veterans Affairs): Mr. Speaker, the suggestion sounds very reasonable and perhaps we could have a few minutes to think it over and confer. We could then make a decision a little later, before six o'clock. If there is a possibility of adjourning on Saturday night it would be wise to sit this evening.

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, I do not think we can come to any decision on this matter. It is worth considering, but there are activities going on in the other place which may determine the length of our sitting.

Mr. Speaker: I am informed that the other place has adjourned until three o'clock tomorrow afternoon.

CIVIL SERVICE ACT

The house resumed, from Thursday, July 6, consideration in committee of Bill No. C-71, respecting the civil service of Canada —Mr. Fleming (Eglinton)—Mr. Chown in the chair.

On clause 1—*Short title.*

Mr. Peters: Mr. Chairman, last evening when we began the discussion on this bill I pointed out that one of our major concerns still remained unsolved and that we were not alone in speaking of this problem. Most of the associations are in agreement with us that there are two main reasons for changing the Civil Service Act. The first is that the act should be brought up to date and the wording changed so that the changes which have taken place over the years since 1919 in departments, in the organization of government and in the relationship of civil servants may be incorporated in the act.

It should be pointed out that in 1919 approximately 70 per cent of the employees of the United Kingdom government were classed as civil servants. Today less than 41 per cent of government employees are civil service employees. These figures were taken from the experience of the mother parliament. I am not aware that any figures are available for our own civil service, but there is a similarity between the two situations. This has resulted in most of these associations asking for one civil service; that all employees of the government should be brought under the terms of the Civil Service Act. This would bring our civil service numbers into a much higher percentage ratio than is the case at the present time.

The second point worthy of consideration is the fact that although the bill has been amended several times it does not point out, and the government has failed to point out, what the arrangement will be for negotiation such as would allow the establishment of a much better contract for civil servants. In this connection I should point out that the committee was informed on a number of occasions that we should not look on Bill No. C-71 as an agreement covering civil servants in their relationships with the civil service commission and with the government, but that these conditions, which would be normally reserved for a collective bargaining agreement, would be contained for the most part in regulations which would apply to the operation of this measure.

I feel that this is not a desirable situation, because I believe that civil servants should know with whom they are negotiating. They should know how far they must go before they can learn what the decision is to be in relation to requests made to the government and what appeal is possible from that decision. My personal opinion is that the civil service should deal first through their pay bureau and through the relationship with the civil service commission. They should decide on the rates for a particular classification. Of course, in the initial stages the associations will make their submissions and the departmental heads will, I presume, make counter submissions. But the full submission will be carried to the treasury board by the commission itself. Once the commission has taken the proposals to the government, and by government I mean either the governor in council or the treasury board as representative of the government, the commission should, in my opinion, step out of the picture as having fulfilled its function. It is in this relation that I think we have to make some improvement if we are going to have a satisfactory method of continuing associations.

The requests that are made, when they are presented to the government, will have to be considered of necessity in the light of the financial structure and financial condition of the treasury and of the government, and any requests which come from the civil service will have to take into consideration the ability of the government to pay the increases in salaries which are requested. It is in this field that I think we should have an impartial tribunal, possibly on the same lines as the arbitration tribunals in England, which would be able to make a final arbitration between the employee and the employer, in this case the civil service associations and organizations and the government or the treasury branch on the other hand. I believe that this decision should be conclusive because I am of the opinion that a strike is unlikely and is probably going to be unduly costly if it takes place in the civil service as a method of reaching a final decision. We have been learning in the last few days that the decision of parliament is final in all instances, but I think that rather than go to parliament, which would probably, in some cases, involve an action of the kind we have just taken in another field, there should be a more orderly manner of handling the final appeal and negotiations.

The civil service association recently indicated its views on this bill. It made it known that the association and its members are disappointed that certain basic principles of their position could not gain acceptance in the committee or from the government. The association stated:

> We are as concerned with too rigid legislation as is the government. However, we do not feel that the position we took before the committee requesting negotiation, consultation and arbitration implied any rigidity whatsoever. We viewed these principles as minimum safeguards to the rights of civil servants.

The statement went on:

> Our major area of concern is the lack of definition of what constitutes consultation and whether it is synonymous with negotiation as we view it. We are also concerned that there is no means whatsoever in the legislation to solve fundamental points of disagreement which must, from time to time, arise regardless of how much good faith is evidenced by the parties concerned. We thus feel that the refusal of some constitutionally acceptable form of arbitration will inhibit the staff associations in their representations.
>
> Our other major concern is the government's belief that after so many years we can in effect only now begin to evolve a satisfactory system of dealing between it and its employees on matters concerning salaries, wages and working conditions.

They go on to point out that they do not think we should not, as in the present bill, leave this matter to evolution and the development of something which may arise from evolution. They think we should decide how we are going to arrive at a proper method of handling the matter of negotiations. They think that this should be implied in the bill and a date set for revision, if revision is not possible at the present time.

Most organizations were concerned also with the delegation of authority. The bill, unlike the previous measures, gives to the deputy heads considerable authority which they did not have before, and arguments were put forward on both sides of the question. Some said this would result in a much faster method of handling problems arising in the department, that it would allow a much closer examination of problems than might be undertaken by an impartial body not familiar with the particular problems in the department. On the other hand it was argued that this would allow for the delegation of authority down through the department and that this would in most cases prohibit any appeal from decisions. It was felt that the commission itself, which would be delegating its authority, does not exercise as much influence through this bill as the Heeney report suggested it should, and that this, its worst feature, could mean a great increase in what has been considered to be departmental patronage—patronage which may take place because of the likes and dislikes and the close working relationship of people within a department. This, of course, has happened in the past under the act and I presume it will happen again. There are two or three very good examples. I do not wish to go into

these now. They have been brought to the attention of the commission and of the department concerned and they indicate that what I am saying is true and that some change is needed. This was a problem in England on a number of occasions. The act there was changed to make the type of operation which we are considering today a possibility for a number of years, and then it was decided to go back to the system of Whitley councils and eliminate some of the delegation of authority.

I was interested to learn that a number of members of this committee were interested in continuing to give more than lip service to veterans preference. This preference in my opinion has been abused over the years not because it is not believed in but because other factors have been given more consideration. Where two equal individuals apply for the same position the preference is to be given to the veteran. I hope this situation will continue in order that those individuals who have served in the armed forces will have some advantage.

I was very interested in the speech made last night by the hon. member for Hull regarding bilingual training. This country is bilingual by constitution and I suggest there is a decided advantage generally to the Canadian people as a result. I feel that if an opportunity were provided to civil servants to become bilingual through a government implemented training program we would gain a tremendous advantage. I suggest such a training program should be adopted by the federal government so that individuals serving in government service could during working hours take advantage of learning the other language. Once those individuals have become bilingual they should be given a preference in regard to jobs, promotions and salaries. This program should be paid for and implemented by the federal government. Many individuals will not take advantage but there should be some preference given to those who do.

It is almost impossible to take an English speaking person from Ontario and place him in a job in the northern part of the province of Quebec where the English language is not spoken. The reverse of that situation is also almost impossible. I suggest if we are going to have a bilingual country we should think in terms of true bilingualism. If this were attained we would achieve the benefits of a real bilingual culture.

One of the clauses of this bill which did not seem to create much interest is that clause having reference to political participation. Individuals in this country have a right to belong to whichever political party they desire. In countries such as England where pride is taken regarding protection of rights of individuals there has been adopted a system of declaring certain parts of the civil service as sensitive and non-sensitive areas. I think that is a reasonable and fair system. If a similar system had been adopted by this government much of the present problem with which it is faced would have been eliminated.

The political party to which I belong is supported by membership. All citizens have the right to belong to parties so supported just as individuals have the right to belong to churches of their choice and are not penalized by other churches which do not require their members to subscribe.

We should divide our civil service into critical and non-critical or sensitive and non-sensitive areas. Individuals working in areas classed as non-sensitive would then have the right to belong and support political parties. I am not suggesting that they should be allowed to take overt political action, as a number of civil servants in Ottawa have done on occasion. I do not agree with that at all and can state that on the occasion with which I am familiar when such overt action has occurred it has not been on the part of individuals who support the party to which I belong. Many of these individuals have taken this overt action in order to get jobs in the civil service.

While discussing the bill in this particular context we should give consideration to the freedom and rights of individual citizens, whether or not they are members of the civil service. They should be allowed to participate and support any political party they choose. They should also be allowed to vote in any provincial, dominion or municipal election. There should be a clause included in this bill allowing civil servants time off in order to do that. I believe they should also be allowed under this bill to enroll in a political party if they desire. I believe that the political affiliation of civil servants has little or no effect on the jobs they have and little or no effect upon the government. I suggest, for instance, a secretary in the pool carrying a membership card of a political party causes very little concern on the part of anyone. I hope the government will give consideration to this situation.

It might be interesting to note the changes which have been made in this regard by one of our provincial legislatures. Before referring to that particular change I should like to read the "Revised Statutes of Canada, 1952", chapter 48, which is an act respecting the Civil Service of Canada.

The Deputy Chairman: Before the hon. member begins the quotation I regret to have

to advise him that his time has expired. Is the hon. member the first spokesman for the C.C.F. party?

Some hon. Members: Yes.

The Deputy Chairman: Does the committee give unanimous consent to allow the hon. member to continue?

Some hon. Members: Agreed.

Mr. Peters: Mr. Chairman, I do not wish to abuse this concession but I should like to read from that portion of the revised statutes to which I have referred, the following:

(1) No deputy head, officer, clerk or employee in the civil service shall be debarred from voting at any dominion or provincial election if, under the laws governing said election, he has the right to vote; but no such deputy head, officer, clerk or employee shall engage in partisan work in connection with any such election or contribute, receive, or in any way deal with any money for any party funds.

(2) Any person violating any of the provisions of this section shall be dismissed from the civil service.

Part V—Exceptions and special cases

(1) The provisions of this act do not apply to positions in connection with the government railways or any railway owned or controlled by Her Majesty, or to any position on any ship of Her Majesty, until parliament otherwise enacts.

(2) In this section the expression "ship of Her Majesty" includes every description of vessel, however propelled, that is used in navigation or in the improvement of navigation and is the property of or chartered or employed by Her Majesty, or the cost of which, or any portion of the cost of which has been defrayed out of the consolidated revenue fund of Canada.

The provisions of this act do not apply to the position of postmaster of any revenue post office the revenue of which does not exceed three thousand dollars per annum; but the preference provided by section 28, in favour of the persons mentioned therein, shall be applied in respect of appointments to such positions.

It is interesting to note that Saskatchewan in 1953 revised its statute in this regard. I should like to quote a portion of that revision. Chapter 7, part IV (i) reads as follow:

No person in the public service shall:

(a) be in any manner compelled to take part in any political undertaking, or to make any contribution to any political party, or be in any manner threatened or discriminated against for refusing to take part in any political undertaking; or

(b) directly or indirectly use or seek to use the authority or official influence of his position to control or modify the political action of any other person; or

(c) during his hours of duty engage in any form of political activity; or

(d) at any time take such part in political activities as to impair his usefulness in the position in which he is employed.

(2) Any person in the public service who desires to become a candidate for public office shall be entitled to leave of absence for 30 days prior to the date of the election.

[The Deputy Chairman.]

I think we should reconsider this section and include in the federal statute some of the protections that have been adopted in Saskatchewan. This is a real threat, Mr. Chairman. Under the federal statute, people are prohibited from taking part in an active way in politics; but in Saskatchewan protection is given against making civil servants take part in electioneering in a way in which they may not wish to do. I do not wish to go into a discussion of how that sometimes happens but I should like to mention just one case. In the last provincial election in my area—I give this only by way of explanation—the civil servants who worked in the liquor control board stores, in the department of highways, and in the department of lands and forests were all given the very broad suggestion that it would be appreciated if they would spend some time in seeing that the good work being carried on by their departments was furthered by the re-election of the government candidate. At that time the premier of the province went so far as to say to some of the leading people in that riding that if the government candidate was not elected he would resign as premier of the province of Ontario. I suggest that not only should we have the protection but people should not abuse it. I am completely in agreement with this. I do not want to see government officials going around in an official capacity and speaking on behalf of the government or working for any party. I think protection should also be given against those who may be forced to do this not of their own volition. I think this particular matter should get some further consideration, Mr. Chairman. I hope the government will not be influenced by the fact that the party to which I belong has always been financed by membership fees, which are a contribution and which would probably be illegal under this legislation.

Mr. MacLellan: Mr. Chairman, my first words on this most important bill are to thank the Minister of Finance for his remarks last evening about the careful and intensive work done by the committee in considering the bill. I think all members who served on the committee can say with modesty that we worked many long hard hours both in committee and outside on the bill, learning of the problems of the civil service and of the administration, to bring to this house as good a bill as we possibly could.

In the course of our meetings—and there were some 23 of them—we made about 30 amendments to the bill and have brought these forward for the consideration of this committee.

I should also like to thank the hon. member for Hull and the hon. member for Timiskaming for their very pleasant remarks to me as chairman of the committee, in opening the debate on the bill last evening. I should like to express to them and to all members of the committee my thanks for the serious way in which they tackled the job of consideration of this civil service bill and for their co-operation at all times with me as the chairman, and with each other in the work of the committee.

I think one of the most important things about the committee, Mr. Chairman, is that it approached its task with a non-partisan attitude. All of us worked together to try to draft the best possible bill we could for the civil service and to assist the work which the civil service does for our nation.

On behalf of the committee, I should also like to express our thanks to the civil service commissioners, the Hon. S. H. S. Hughes, Q.C., Miss Ruth Addison and Mr. Paul Pelletier, who came in day after day, and attended hour after hour, giving us so much of their time and their special knowledge and ability to assist and guide us in the work which was before us. We were also very ably assisted in very many meetings by Mr. Charles Mackenzie, the assistant secretary to the treasury board, whose advice and experience on the work of the civil service was very valuable to us in all of the months that we were working on this bill.

The briefs put forward by the civil service associations—every major civil service association in Canada brought forward briefs —were appreciated very much by the committee. The briefs were well prepared and in most instances were serious and responsible attempts to improve the working conditions of the civil service and to improve the administration of the service.

In particular I should like to compliment the members of the committee who came from the Ottawa area, the hon. members for Carleton, Hull, Ottawa East and Ottawa West, who gave considerable time and study to the bill.

While I realize that members of the committee would like to see the bill proceeded with as soon as possible, to see the improvements and advantages which flow from it made available to the civil service and to the country, I should like to take a moment to discuss a few of the improvements which will be made by the bill.

First of all, may I refer to the fact that this bill differs from the old act of 1918 in that it provides in clause 65 the right of the civil servant to his pay. This is a departure from the previous act and indeed from the general concept that the crown has no obligation to pay any of its employees, that they receive pay as a matter of grace. As a result of this bill the civil servant has the right to go into court, come to this parliament or anywhere else to ask for his pay as of right for services rendered.

There was some commentary by the hon. member for Timiskaming and the hon. member for Hull on the widening of the powers of the deputy heads of departments. One of the purposes of the bill was to streamline the administration of the civil service and of government departments, and it was to this end that the Heeney report very strongly recommended that the powers of the deputy heads should be widened. You will note, Mr. Chairman, that coupled with the widening of the power of the deputy heads is a new provision not to be found in the old act which is there to protect the rights of the civil servant. I speak, of course, of the new appeal provisions which are to be found in the bill now before the committee. Under the old act there was no provision at all for the right of appeal except in the case of a suspension where the commission might review the situation and perhaps decide that the punishment inflicted was too severe. However, in this legislation a wide range of appeals is authorized from administrative decisions within the department and the security of the civil servant is much enhanced thereby.

A third improvement provided by this bill is in the fact that the distinction between temporary and permanent employees, which heretofore existed, has been removed. Now, even where appointments are not permanent, the employee who is in fact perhaps temporary enjoys the status and the advantages of a permanent employee of the civil service.

Another improvement which I think is noteworthy is the new clause which provides that people in the public service of Canada, in the armed forces and in the R.C.M.P., may now have the right to compete and transfer to the civil service. This was a recommendation of the Heeney report and is purposed toward the utilizing of the investment of the taxpayer in many public servants who could not otherwise follow careers in the civil service. This is an important change both for people in the R.C.M.P. and the armed forces who now have the right to transfer to the civil service and, indeed, for the people of Canada generally.

Moreover the new provision in respect of bilingualism is, I think, a very important one. When the hon. member for Hull was speaking last evening I noted that he said that he was not entirely satisfied with the provisions with regard to bilingualism. He referred to the French speaking people of Canada as poor relations. That is a phrase I have never heard

used before in speaking of the very large French speaking population of Canada and I do not think it should be accepted. He said that some preference should be provided for bilingual civil servants. The bill does in fact provide this, inasmuch as a new test has been introduced by the bill whereby when a person is to be appointed to an office he must have a knowledge of that language which is required, sufficient to serve the public of the area where he is to perform his duties. Apropos of that, Mr. Chairman, I should like to draw your attention to the comments of the Hon. S. H. S. Hughes, Q.C., chairman of the commission in speaking on this matter. He said:

> Clause 47 of the bill lays upon the commission the responsibility of seeing that this consideration—

That is the consideration that people working in an office where they will be serving both elements, French and English, should be bilingual, or in any case sufficiently so to serve the public whether French or English. I continue:

> —is borne in mind not only in local positions but in head office positions of departments and not only in the language of the majority but in terms of the use of both languages where it is considered that their use is necessary to give effective service to the public. This will enable the commission in practice to give preference to applicants for positions and existing employees who are bilingual as circumstances may require.

There is in fact therefore a preference for bilingual people incorporated for the first time by the bill before the committee this afternoon.

Another change that is proposed to be made by this bill is to remove the prohibition against persons who have not been resident in Canada for five years serving in the civil service. While preference is given to Canadian citizens under the bill, where there are not persons available to fill positions within the civil service who have been in Canada for more than five years the commission can very properly turn to new Canadians who have the qualifications for the work.

I should like to turn now to what has been considered as one of the most important new provisions of the bill, and that is the construction of a new relationship between the government represented by the Minister of Finance and civil service employees. The civil service associations came before the committee asking that some form of direct consultation or negotiation should be set up between the Minister of Finance and the various staff associations so that the Department of Finance and the staff associations could gather around the table, without any intermediary, to discuss matters of pay and so on. They also suggested that some form of arbitration should be established so that where disputes could not be settled under this new consultative process an arbitration board would be available to the parties concerned.

I am very pleased to say that at the request of these associations clause 7 of the bill was amended by the committee to provide for direct consultation between the Minister of Finance and the staff associations. It has been said that instead of using the word "consultation" the word "negotiation" should have been used. That was the position taken by the hon. member for Hull when he spoke last evening. Frankly, I see very little difference in the use of the two words. The most important thing is that clause 7 as now before the committee provides that, and I quote from clause 7:

> **The commission, and such member of the public service as the Minister of Finance may designate, shall from time to time consult with representatives of appropriate organizations and associations of employees with respect to pay—**

And so on. In other words, the staff associations have the same right to come to the minister as the minister has to go to them to discuss pay and, through the commission, other terms and conditions. This is a very important step and I feel it meets the wishes of the great majority of the civil service in that regard.

As to the matter of arbitration, while the committee did not agree that an amendment should be made to the bill which would provide for an arbitration procedure by legislation, we are satisfied with the statements of the Minister of Finance that arbitration can be developed as it has developed in England along the lines of normal evolution.

I should point out, Mr. Chairman, that there is no need for words in the bill to establish the right of arbitration or the fact of arbitration. The bill is permissive. There is no reason why the staff associations and the Minister of Finance as parties to a dispute at any time cannot call upon an arbitration board to find a solution to their problems.

Progress reported.

Mr. Speaker: It being five o'clock, the house will proceed to the consideration of public and private bills, the former having precedence.

BUSINESS OF THE HOUSE

Mr. Churchill: Mr. Speaker, at this point I wonder whether I could give our answer to the question that was raised by the hon. member for Timiskaming, I believe about 45 minutes ago with respect to whether we might meet tonight and tomorrow evening with the intention of attempting to adjourn tomorrow

night. We are prepared to do so and we have reduced to a bare minimum the items which we think might be considered by the house before adjournment. They consist of four items, the C.N.R. financing bill, the Income Tax Act to the extent of passing second reading but not consideration of the bill in committee stage, an appropriation act, as I mentioned last night, to appropriate funds in respect of the 11 departments which have passed the committee and then interim supply to carry us on during the course of the adjournment. A fifth item might be a report from the committee on rules and procedure. As far as the government is concerned, those are the four matters that we consider could be dealt with today and tomorrow, and adjournment tomorrow night.

Mr. Pickersgill: I regret to say that I have not any mandate to make any commitment as far as we are concerned. I am quite prepared to consult with my friends and to give an answer at six o'clock. However, I would have very grave doubts about our willingness to sit this evening. It seems to me that there are enough people having enough heart attacks around this place now without having any addition to them. I should just like to make sure that I understand correctly what the proposition is. As I understand it, the proposition is to take only the second reading of the income tax bill and the appropriation bill about which we had been given no notice until last night, I believe, something which is a very unusual procedure.

Mr. Fleming (Eglinton): It has been done before.

Mr. Pickersgill: It may have been done before but I repeat, Mr. Speaker, that it is a very unusual procedure in the years I have been observing this house since 1938. We should want to know why this unusual procedure was being followed. I am not quite sure of the items. There was the C.N.R. bill. Is that the suggestion?

Mr. Churchill: The C.N.R., income tax bill second reading, appropriation bill.

Mr. Pickersgill: The appropriation bill and interim supply. I may say that I am not in the least sanguine about this proposition, but I do not feel I am competent to say yes or no at this stage.

Mr. Peters: I thank the house leader for his consideration of this proposal. I believe we are all anxious to get out. I am sure that I can speak for our group in this respect. If this is the business—and I agree that it is important business that is of necessity before us—we would be agreeable to a proposal to extend the hours tonight until 10.30 and we would be willing to sit tomorrow until this business was finished.

Some hon. Members: Agreed.

Mr. Pickersgill: Mr. Speaker, I wish to be absolutely sure about the matter before I talk to my friends. I wish to be absolutely sure that the government has no intention of going beyond second reading of the income tax bill; in other words, this great expansionist budget is so unimportant that it does not matter whether or not we pass this Income Tax Act amendment.

Some hon. Members: Oh, oh.

Mr. Churchill: If the decision should be reached to go on tonight, Mr. Speaker, we would take up the C.N.R. bill this evening at 7.30. I judge that at about five minutes to six o'clock we shall be able to get a response from the opposition.

Mr. Speaker: May I inquire then what the proposal is, in view of the discussion back and forth? Is it proposed to proceed with public and private bills?

Mr. Churchill: As far as we are concerned, we are prepared to continue with the discussion of the Civil Service Act during this hour.

Mr. Pickersgill: Mr. Speaker, I think we should not abridge the ordinary rights of hon. members.

Mr. Speaker: Then the house will proceed to the consideration of public and private bills.

CRIMINAL CODE

AMENDMENTS RESPECTING DEATH PENALTY AND METHOD OF EXECUTION

On the order:

Second reading of Bill C-38, an act to amend the Criminal Code (Capital Punishment).—Mr. Drysdale.

Mr. John Drysdale (Burnaby-Richmond): Mr. Speaker, in view of the fact that the majority of the suggestions contained in my private member's bill have already been adopted in government legislation I would ask the consent of the house that it be withdrawn at this time.

Mr. Speaker: The hon. member is quite entitled to withdraw his bill before it has been placed before the house.

Some hon. Members: Agreed.

Mr. Speaker: It will therefore be noted as dropped.

Bill withdrawn.

Private Bills

AMENDMENT TO PROVIDE FOR APPLICATION BY TRUCKERS TO TRANSPORT BOARD ON COMPETITIVE RATES

On the order:

Second reading of Bill C-39, an act to amend the Railway Act.—Mr. Browne (Vancouver-Kingsway).

Mr. J. F. Browne (Vancouver-Kingsway): Stand.

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, there is not unanimous consent to let this bill stand. It stands in the way of other bills that are on the order paper. If the hon. gentleman does not wish to proceed, it should take its place in the queue.

Mr. Browne (Vancouver-Kingsway): I should like to explain that there is a technical matter that has arisen in the procedure on the bill. Hon. members will recall that a similar bill having to do with the Transport Act went through the house a short time ago and is now before the other place which has taken the position that it is doubtful to proceed with this bill until the royal commission have completed their hearings. I believe this could very well be cleared up before next week when it would arise again and that I would then be in a position to go ahead with the matter.

Mr. Speaker: If the hon. member does not wish to proceed, he is not obliged to do so, as I understand the rules; it is only where the debate is proceeding and the motion has been proposed and is in the possession of the house. Is the government prepared to let the bill stand?

Mr. Churchill: Yes.

Mr. Howard: There is another matter with which I should like to deal, perhaps on a point of order. I am not objecting to the government request that this bill stand but it is a new departure from the procedure the Minister of Veterans Affairs (Mr. Churchill) announced a few weeks ago with respect to private members' bills, in that the government would not request that they stand merely for the convenience of the member. If the house leader is changing the rulings and decisions he made some months ago with respect to the hour devoted to consideration of public and private bills, that is one thing; but, if it is merely a question of playing favourites, it is another thing.

Mr. Pickersgill: I should like to say a word on that point, Mr. Speaker. There are some of us who have private bills on the order paper and who have been waiting patiently all session. It seems quite unreasonable that certain hon. members who are not prepared to proceed at a certain time should keep priority and thus prevent others from getting their bills before the house. It certainly would not be very agreeable to us to have the government seeking consent for the bills of its friends and not doing so for the bills of hon. gentlemen on this side of the house. I think that usually these things have been done by agreement. When they are done by agreement and the government gives the technical consent, that is fine. However, I agree completely with the hon. member for Skeena that there should not be one law for one side of the house and one for the other side.

Mr. Churchill: Mr. Speaker, there is not one law for one side and one for the other. This is a whole bunch of nonsense that we are hearing again. If the record is examined, it will be found that far more bills emanating from the other side of the house have been allowed to stand during the course of this session than bills sponsored by government members. At this stage of the session, as the very reasonable request put forward by the hon. member for Vancouver-Kingsway means only a delay of perhaps one week, I asked that it stand. It was for that reason I suggested that this bill stand.

Mr. Speaker: No. 2 stands.

Mr. Howard: Does that not show that you have played favourites?

Order stands.

CANADA ELECTIONS ACT

AMENDMENT TO REDUCE VOTING AGE

On the order:

Second reading of Bill C-41, an act to amend the Canada Elections Act (Age of Voters)—Mr. Racine.

Mr. McIlraith: Stand.

Mr. Speaker: Is the hon. member not prepared to proceed?

Mr. Habel: Stand.

Mr. Howard: I would point out if I may, Mr. Speaker, that a bill attempting to do the same thing has already been entered for second reading and debate has started on it. It is a bill that stands in my name. Second reading was moved some months ago and it is down here somewhere for resumed debate. I cannot pick it out right at the moment. However, it deals with precisely the same subject matter.

Mr. Speaker: In the absence of the hon. member and in the absence of a request by the government that it stand, the bill is bypassed.

Order stands.

FRASER RIVER

LEGISLATION TO SAFEGUARD NAVIGATION AND FISHERIES

Mr. A. D. McPhillips (Victoria, B.C.) moved the second reading of Bill No. C-43, respecting navigation and salmon fishery on the Fraser river.

He said: Mr. Speaker, in rising to move second reading of this bill there are two things with which I wish to deal preliminarily. I have been asked why the hon. member for Victoria should be so greatly concerned about the Fraser river which, after all, is some distance from my own constituency. If the geography and habits of the Pacific salmon are understood, the reason I am concerned is readily apparent. In addition to that, I have a great many fishermen in my constituency; and I am a British Columbian and I am very proud of our Pacific salmon fishery.

Every fish caught by the fishermen who reside in my constituency is on its way to the spawning grounds of the Fraser river and its tributaries. With regard to federal jurisdiction, Mr. Speaker, some hon. members have said the Fraser river is entirely within the province of British Columbia and have asked how the parliament of Canada can have anything to do with it. There again the answer is very simple. At the time of confederation and for many years before that the Fraser river was a navigable river. Under the terms of the British North America Act the parliament of Canada has control over rivers that were navigable rivers at the time of confederation. Also, the parliament of Canada has control over the deep-sea fisheries off our coasts and the attendant inland fisheries which result from those deep-sea fisheries. Therefore on two counts the parliament of Canada has every right to deal with the Fraser river and what goes on in the Fraser river, both from the standpoint of navigation and fisheries.

The average value of the Pacific salmon industry is approximately $90 million per annum. In 1962, when there will be the great Adams river run again—Adams river is a tributary of the Fraser river—the industry will be worth a great deal more; but it averages $90 million. This is to say nothing of the huge investment in fishing vessels, nets, equipment and all the money paid out in wages for building those ships, nets, equipment and paying all the people employed in the fishery.

There is something else, Mr. Speaker, that I think this house should know if it does not know it already. The Fraser river of British Columbia is the greatest salmon river in the world. Prior to the industry on the Fraser river there had been a salmon fishery on the Columbia river in the United States, on the coast of Oregon and in the upper regions of that river. It was not as large an industry as ours; it was not nearly so valuable, but it was valuable earlier. The Fraser river fishery was developed and the techniques existing on the Columbia river were followed.

I know that when I was a boy the term "Columbia river boat" was commonly used. This was the type of boat that nearly all our gillnetters used and was a boat that had been developed in connection with that fishery on the Columbia river. It is common knowledge that the fishery on the Columbia is ruined. It is true that a few fish spawn in the Priest river, one of its tributaries. However to all intents and purposes the great fishery on that river is ruined. It was ruined because of the construction, at the time of the late President Roosevelt and his new deal, of two new dams on that river, the Bonneville dam close to the mouth of the Columbia and the huge Grand Coulee dam which is very much further up the river.

At that time the president of the United States was worried about it, and I will deal with that later. But we had a procession of professors and engineers who assured the president of the United States, "There is nothing to this. Salmon and dams can exist on the Columbia river". I have every respect, and always have had, for professors and engineers, but when it comes to a spawning river I have a lot more respect for the Pacific salmon.

In the case of Bonneville, because of the treaty signed many years ago between Canada and the United States, the United States agreed that they would not interfere with navigation on the Columbia river and a ship canal and lock were built on the Bonneville dam. Would you believe, Mr. Speaker, that some of the professors and engineers said, "Well, that is how the salmon will get up. When the canal gates are open to let a ship in, the salmon will swim in with it; and when it is taken up, the salmon will swim out"? They did not know much about the Pacific salmon, because that certainly did not happen.

I have a work here which is really the only work on this subject in the form in which it is written. It is a book written about the Columbia river fishery by Anthony Netboy

entitled "Salmon of the Pacific northwest. Fish *v.* dams". I am indebted to the hon. member for York-Scarborough (Mr. McGee) for bringing this work to my attention. In effect this book is an apologia, because Netboy was one of the men who thought this thing could be accomplished on the Columbia river and he afterwards wrote a sort of apologia. At page 10 of the foreword—which was written by the late Senator Neuberger of the state of Oregon, who was a great proponent of the maintenance of the fishery in that river—there is found this passage:

"Go and investigate the fish *v.* dams question," Mr. Netboy was told by Henry Alderman, then the assistant to Dr. Paul J. Raver, Bonneville's administrator.

So Mr. Netboy did go and make some investigations, but regrettably he came up with the wrong report and is now apologizing for it. At page 42 of this work, under the heading "Enter the federal dams", there are a few excerpts which I should like to read:

The diminishing runs of salmon, resulting from numerous and complex causes, had long worried the fishery industry when a new and potentially adverse factor entered the picture—start of construction in 1933 on Bonneville dam, followed shortly by ground-breaking for mammoth Grand Coulee dam. Bonneville was located on the Columbia 145 miles from its mouth, Grand Coulee 597 miles from Astoria.

That is a city at the mouth of the Columbia.

Bonneville was to have a 60-foot head, Grand Coulee 316 feet. Never before had a major salmon run been required to hurdle an obstruction as formidable as Bonneville.

The first barriers constructed in the Columbia river watershed were primarily irrigation dams. They were not the massive structures that came into being with the development of the river's hydroelectric potential. Some of the earlier dams built on the tributaries for power and irrigation diversions did not include facilities for passing fish migrating upstream. Consequently, a terrific toll was exacted at these points on certain races of Columbia river salmon. In fact, entire runs into several tributaries were almost completely wiped out.

In addition to dams without fish passage facilities, many other dams were built in the Columbia river basin that had provisions for passage of adult fish, such as the low dam at Willamette falls (Oregon City). But even here no safe passage was provided to the downstream migrants—the tiny fish.

That is the fingerlings that have to come down:

When the Bonneville project was authorized by President Roosevelt as a public works project, Frank Bell, U.S. commissioner of fisheries, was requested to find some way of getting the salmon over the dam. "I wrote to every civilized country in the world," said Mr. Bell, and "at no place... could we find where they had passed fish over as high a dam as Bonneville would be."

Naturally there were widespread—almost hysterical—fears that Bonneville would spell the end of the Columbia river salmon runs and confine the fishery to the lower river, thus wiping out part of an industry then valued at some $10 million annually. In an article in the *Saturday Evening Post* in November, 1937, when the dam was nearing completion, Richard L. Neuberger wrote:

That is the late senator I mentioned before.

"Prevalent throughout the principal salmon-producing region of the world today is the almost unshakable opinion that within a few years the fighting fish with the flaky flesh will be one and the same with the dodo bird—extinct". Not only were commercial fishermen, anglers, and the salmon industry generally apprehensive, but scientists and conservationists from distant parts of the country felt obliged to voice their fears. For example, Arthur Newton Pack, president of the American nature association, declared that the dams being built on the Columbia would kill a fishing industry providing employment to more than 25,000 people annually. E. D. Clark, secretary of the association of Pacific fisheries, claimed that the dams would be disastrous. He foresaw the end of the runs of the giant chinook.

The Indians were equally pessimistic. According to Neuberger, George Red Hawk, aged chief of the Cayuse Indians, who was spearing salmon on the river before the railroads had even reached the Columbia gorge, "looked grimly at the surging river. 'White man's dams,' he said, 'mean no more salmon.' "

Such strenuous objections were raised by fishery people to the blockading of the river by Bonneville dam that the corps of engineers was forced to include fish passage facilities in the plans for this structure. At first they were to consist of only four conventional ladders of moderate size—like those at Oregon City—estimated to cost $800,000. When fishery biologists demonstrated that they would be palpably inadequate to handle the large fish traffic using this stretch of the river, an elaborate system of traps, locks, elevators, canals and ladders was devised which added $7 million to the cost of the dam.

Notwithstanding that expenditure the Columbia river fishery has been ruined and that great source of food no longer exists. That, as I say, appears in this author's book, which is an apologia for his previous advice which he now admits was faulty.

Today in British Columbia we have engineers coming up again with the same sort of applesauce as they fed to President Roosevelt. I have an example right here. This is from the Canadian Press of June, 1961 under a Vancouver dateline. It appeared in just about all the papers in British Columbia and, I think, throughout Canada generally. The heading is: "Both Power Systems and Fish Possible in B.C. River System" and the article reads:

British Columbia can have both fish and power from its fast-flowing river systems, the engineering institute of Canada was told today.

Papers presented at the institute's annual meeting indicated that the baffling problem of building power dams and at the same time allowing salmon to get to their spawning grounds, has at last reached a stage of solution.

The papers indicated, too, that with proper measures the salmon yield can be substantially increased. At the same time, continued and increased research was urged.

Val Gwyther, Vancouver consulting engineer, stated:

"The present policy of retardation of power development in a watershed, due to our inability to produce the answer to beneficial fish migration, is in the past, and these watersheds now are open in development of both fish and power."

There is no doubt, Mr. Gwyther said, that we now can produce salmon species in great quantities, jointly with other resource values, and with economy.

Mr. Gwyther's paper went at length into the problems of fish propagation. Rearing capacities of natural and impounded lakes should be utilized by artificial fertilization and incubation of eggs to give a yield far in excess of that from natural spawning grounds.

There again, all we have is a pious statement from this engineer that everything is now all right. But you never see any concrete statement as to how it is going to be done. What bothers me at the present time, because of the difficulty existing in British Columbia, because of the attitude of that government in British Columbia, the trouble with the Columbia and the Peace river, is this: I am fearful that we are going to wake up one day and find that the premier of British Columbia has given a water licence on the Fraser river. The British Columbia Electric Company is ready now and has been ready for years. They have all the plans ready. They can jump on the Fraser tomorrow and build two dams. That is what faces us, and that is why I think, now, that the parliament of Canada has a right to put an end to this thing forever and keep this great source of food, this great river and the industry which depends on it safe for Canadians now and forever. We should do that now before we lose it. I bespeak the support of hon. members for the passage of this bill.

PRIVILEGE

MR. DIEFENBAKER—REFERENCE TO REMARKS IN DEBATE OF JULY 7

Right Hon. J. G. Diefenbaker (Prime Minister): I should like to rise on a question of privilege in connection with the blues of today, page W-5. I shall have to read this statement I made and then the interruption. I am reported to have said:

I have simply pointed out, Mr. Speaker, that the slur can only have been that, because there has been nothing else except the suggestion of disagreement. How many people in public life receive a pension of that size? I have been in public life longer than Mr. Coyne. When I retire, no matter how many years from now it may be, I will be in the same position as Mr. St. Laurent.

Then there was an interruption by the Leader of the Opposition:

Oh, that is the reason.

The record continues:

Mr. Diefenbaker: Yes.

Mr. Pearson: Now we know.

Mr. Diefenbaker: That is true. I am glad the hon. member mentioned that, because he has given years of devoted service and I am prepared to admit it.

What I understood the hon. gentleman to say was: "I am in the same position".

Mr. Benidickson: On a point of order, Mr. Speaker. May I speak to a point of order?

Mr. Diefenbaker: I am speaking to a question of privilege.

Mr. Benidickson: I rise on a point of order with respect to the question of privilege.

Mr. Speaker: I think the point of order would intervene; if the Prime Minister would allow me to deal with it—

Mr. Benidickson: In connection with a question of privilege, it always does.

Mr. Speaker: Order. Would the hon. gentleman please resume his seat? In my view, where a point of order is taken on a question of privilege it should be dealt with before the question of privilege is completed.

Mr. Benidickson: Mr. Speaker, my point of order is that not all hon. members of the house have the privilege of looking at what the Prime Minister refers to as blue sheets. I certainly do not.

An hon. Member: You can get the white ones, though.

Mr. Benidickson: No.

Mr. Speaker: What is the hon. member's point of order?

Mr. Benidickson: My point is that I have never known an occasion when during the day while a debate was taking place any member has risen in his seat, in my experience, to change something that he has found in the text of *Hansard* on the blue sheets.

Mr. Speaker. Order. I do not see a point of order there. If the hon. member disagrees with the question of privilege he will have the right to comment afterwards.

Mr. Benidickson: I wish to say, on the point of order—

Mr. Speaker: I have found no point of order and would ask the hon. member to allow the Prime Minister, who has the floor, to complete his statement.

Mr. Benidickson: I am rising on a point of order.

Mr. Speaker: I have heard the hon. member.

Mr. Benidickson: No. My point of order is that we are dealing with private member's legislation during this hour.

Mr. Speaker: That is true.

Mr. Benidickson: The Prime Minister has interrupted the ordinary proceedings of debate.

Mr. Speaker: That is another point entirely. It is true, but if the hon. member will refer to the rule he will find that a question of privilege which is immediate may be raised at any time when an hon. member can get the floor.

Mr. Diefenbaker: I do not fear the interruptions. I thought the Leader of the Opposition said: "I am in the same position." Reading it that way, the house can—

Mr. McIlraith: May I raise a point of order?

Mr. Speaker: I am sorry, but there is another point of order intervening.

An hon. Member: The hon. gentleman has just come into the chamber.

Mr. McIlraith: My only point is this. The Prime Minister was in the chamber a few moments ago when the Leader of the Opposition was here. Surely, since the Leader of the Opposition is being referred to in this way, and a correction made on account of his interjection, he should be sent for. I see that since I have risen on this point of order the Leader of the Opposition has taken his place, and perhaps the matter should be restated. I think that is a fair procedure.

Mr. Diefenbaker: Mr. Speaker, I have said I thought the Leader of the Opposition said "I am in the same position" instead of "Oh, that is the reason". The record shows the following exchange:

Mr. Diefenbaker: Yes.

Mr. Pearson: Now we know.

Mr. Diefenbaker: That is true.

I paid a tribute to the Leader of the Opposition which clearly indicates that I misapprehended his interruption, because I then said:

That is true. I am glad the hon. member mentioned that, because he has given years of devoted service and I am prepared to admit it.

Mr. Benidickson: What has this to do with the private members' hour and the Prime Minister's intrusion upon it?

Mr. Speaker: Order.

Mr. Diefenbaker: Keep quiet and be sober for a change.

Mr. Benidickson: This is not a sober judgment on your part.

Mr. Speaker: Order. Would the hon. member please allow this matter to be dealt with in an orderly manner. The Prime Minister has drawn attention to a misunderstanding of an interruption and has made his explanation as a question of privilege, which he is entitled to do at any time of the day. If any hon. member wishes to comment or discuss the question of privilege, particularly the Leader of the Opposition whose intervention is the one concerned, I am prepared to hear him.

Mr. Pearson: Mr. Speaker, I feel that if a change of this kind is to be made—and I am not quarrelling with the Prime Minister's right to suggest a change—it should be made after *Hansard* has appeared when hon. members who are concerned, as well as the Prime Minister, have had a chance to see it.

Some hon. Members: Hear, hear.

Mr. Pearson: Mr. Speaker, in view of the fact that the matter has arisen let me say this. The Prime Minister made a statement this morning, which I should like to correct as a question of privilege of the same kind, in which he—I was going to use the word "charged"—me with using certain words, and he gave the page in *Hansard*. I found it very difficult to believe that he had actually used my name, but when the blues were sent to me, because I had intervened, I found not only that the Prime Minister was mistaken in attributing these words to me but that they were words of the Minister of Finance. I was going to rise on a question of privilege tomorrow morning after *Hansard* had been printed to bring this to the attention of the house. I think the Prime Minister could have followed the same course.

Mr. Speaker: As I understood the Prime Minister he was making an explanation of his comments and not asking for a change to be made.

Mr. Diefenbaker: I am not making a change, I was simply saying, Mr. Speaker that—

Mr. Benidickson: You were interrupting the routine proceedings of the house during private members business hour.

Mr. Diefenbaker: —I had paid a tribute to the Leader of the Opposition on the basis of what I thought his interruption was, namely, that he was "in the same position" and would not receive any more than $3,000. I then went on to pay a tribute to him for his great service to the country, and that fact is true. As it is worded in *Hansard* it is obvious that is what I had in mind.

FRASER RIVER

LEGISLATION TO SAFEGUARD NAVIGATION AND FISHERIES

The house resumed consideration of the motion of Mr. McPhillips for the second

reading of Bill No. C-43, respecting navigation and salmon fishery on the Fraser river.

Mr. John Drysdale (Burnaby-Richmond): Mr. Speaker, in rising I hope I am referring to the right bill.

Mr. Chevrier: Are you referring to the Aeronautics Act?

Mr. Drysdale: Are we dealing with the fisheries bill?

Mr. Speaker: We are dealing with second reading of Bill No. C-43.

Mr. Drysdale: I just wanted to make sure that I was referring to the right bill. As the seconder of the bill sponsored by the hon. member for Victoria I thought perhaps I should indicate what my interest is in this matter.

My constituency, and particularly the Richmond portion of it is situated at the mouth of the Fraser river. It should also be obvious to all hon. members present that I am interested in this particular measure because of the existence of the community of Steveston, which is a fishing community located very close to the mouth of the Fraser. At the peak of the fishing season approximately 10,000 fishermen actually base their salmon fishing activities in that area.

First, I felt I should point out that although I am the seconder of this bill and approve of the principles enunciated therein, I do not think it goes far enough. When I spoke earlier in respect of this bill, actually in 1959, I said at that time that although I endorsed the principles I felt that the bill did not perhaps go as far as I should have liked.

In the first part of the bill the sponsor has drawn attention to the fact that there should not be any hydroelectric power dams or other navigation dams which would obstruct salmon fishing. However, in the second part of the bill it is suggested that this would not apply to any project of the government of Canada dealing with navigation, flood control, river bed erosion, current control and so on.

During one of the meetings of the fisheries committee the sensitivity of this salmon fishery was very forcefully drawn to our attention. The only point that concerns me about the hon. member's bill is that the government of Canada, despite how well meaning it is, may nevertheless create the very difficulties which the sponsor of this bill is attempting to obviate.

The second report of the fisheries committee of 1959 at page 85 states as follows:

> Your committee held seven meetings, one of which was devoted to the consideration of a preliminary report on flood control and hydroelectric power in the Fraser river basin in British Columbia, particularly in respect of fisheries and certain relevant aspects referred to in the said report.

This report then states:

> Your committee recommends that the government consider the advisability of hastening the re-appointment of the Fraser river board in conjunction with the government of British Columbia in order that the said board achieve its aims, specially with reference to the protection of fisheries in all its aspects.

The committee went on to make this further important recommendation unanimously:

> Your committee expresses the opinion that no dams should be built on the Fraser river, or any of its tributaries, where such dams will, in the opinion of the Minister of Fisheries, interfere with, or be detrimental to anadromous fish runs.

I think the very important point raised there is that the control and supervision should be in the hands of the Minister of Fisheries (Mr. MacLean) and his departmental officials because it seems to me that there is a patent loophole in the second part of this bill which would make it possible for irreparable damage to be done to these particular fish runs.

I think that the sponsor of this bill indicated the legislative justification for the amendments contained in this bill when he drew attention to the fact that it came within the British North America Act. This particular phase of the situation does specifically come within section 91 (2) of that act which deals with coastal and inland fisheries. The matter of jurisdiction in this regard is recorded in the *Canada Year Book* for 1960 at page 630. I should like to read a portion of what is stated there, as follows:

> The British North America Act gave the federal government full legislative jurisdiction for the coastal and inland fisheries of Canada and under this act laws are made for the protection, conservation and development of the fisheries throughout the country. However, the provinces have, by agreement, assumed administrative responsibilities in varying degrees. Consequently, though all the regulations governing fishing are made by the federal government, the work of administering the fisheries (enforcing the different laws and regulations, inspecting fish products, issuing licences, etc.) is done without duplication of staff either by federal or by provincial officers, according to arrangements.

That is further supported by the contention that the Minister of Fisheries and his department must have very strong supervision, which is referred to at page 631 of the *Canada Year Book*. The responsibilities of the Department of Fisheries are set out very succinctly there. I should like to quote a paragraph which deals with these responsibilities, as follows:

> The chief responsibilities of the Department of Fisheries throughout Canada are, in brief: to conserve and develop Canada's primary fishery resources; to encourage the development of the

fishing industry in the national economy; to inspect fish products, establish standards of quality and promote the optimum utilization of the resource; and to develop a proper public understanding of the resource and the industry.

We had indications during the hearings of the fisheries committee that the value of the fishing industry on the Fraser river was some $34,500,000. This is a very important industry and every effort should be made to maintain it properly. I believe the fact that we have two other great rivers in British Columbia—the Columbia which has a potential of some 3 million horsepower and the Peace which has a potential of some 4 million horsepower—should warrant the protection of salmon fishing on the Fraser. The enactment of legislation such as is before us now would force individuals in British Columbia who are interested in developing power, first of all, into using the potentialities of those two rivers. I would suggest that by that time we would possibly not require any further development or utilization of a river such as the Fraser. We have seen the tremendous developments that have gone on in atomic research. At the recent hearings of the research committee it was drawn to our attention that they expect very soon to have the CANDU power unit installed at Rolphton which will be producing some 200,000 kilowatts. First of all I think we should exhaust those rivers, the Columbia and the Peace, and then see what progress is being made on atomic power. At that time it might be possible to take a further look at the Fraser river.

During the proceedings of the committee in 1959, in dealing with this matter of research and what can be done, I was interested in the statements we had from Dr. Pritchard. On questioning him I was particularly interested to find out whether it would be possible to hurry up the process by concentrating perhaps more scientists on this particular problem. He indicated to me that there was in total in the neighbourhood of some 75 scientists and engineers working on the problem and they are spending approximately $3 million on research alone. I think it is fair to say that despite all the engineers, biologists and so forth working on this particular project there had been developed to date no clear-cut and adequate solution to the problem of getting the fish up over the dam and then getting them downstream safely. That, of course, is simplifying the problem.

There have been some statements and arguments that the fisheries people in British Columbia are opposed to the development of hydroelectric power. I think it would be only fair, Mr. Speaker, to reiterate the remarks in the brief that was put out by the fisheries association of British Columbia, dated February 1, 1958. On page 2 of this brief we find the following:

The fisheries association of British Columbia takes this opportunity of stating unequivocally that it is not opposed to the development of hydro power but rather believes that the sources of electricity should and can be developed under careful and judicious planning so that the runs of fish in the salmon bearing rivers will not be obstructed or otherwise harmed. If it could be shown conclusively by the fishery engineers and biologists that those biological problems which will result from the development of hydro sites on fish bearing rivers could be overcome with certainty then, and only then, would we have no objection to the construction of power dams on such rivers. Today, the best advice available from the fishery biologists is that the construction of dams on the diversion of rivers into salmon bearing rivers will create consequential physical and biological problems which will destroy the fish.

In this same brief they go on to make several specific recommendations which I think might be of interest to hon. members. At page 4 they say:

In order to ensure that there will be an ever increasing supply of power available to the industrial and domestic consumers in the province of British Columbia, it would appear advisable that the responsible public authorities should ensure that the following steps be taken to utilize all the natural resources of this country in an orderly, considered program of development:

(a) The development of hydro sites on non-fish bearing streams should receive the first attention of those parties engaged in the production and distribution of electricity. In addition, the public utility companies should ensure that presently developed sites are brought up to maximum production.

(b) The fact that western Canada is endowed with a great wealth of gas, petroleum and coal, thus ensuring an alternate source of energy for the production of power, should be recognized and such alternate sources of energy should be utilized to the fullest in conjunction with the development of hydro sites as previously mentioned.

(c) A responsible agency should cause a province-wide power grid system to be developed with connections to Alberta and the United States, the purpose of this grid system being to enable a local region having a surplus of power, and such a situation exists today, to conveniently transmit such surplus to another region having a shortage. This exchange of surplus power back and forth would ensure that those hydro and thermal sources already developed would be utilized to their fullest advantage.

We believe that if these complementary steps are taken we will find nuclear and atomic sources of power available and feasible in time to meet growing needs for power and avoid destruction of the fishery resource.

I think it is particularly timely that the hon. member has brought up his bill at this moment. Because of the many discussions of power sites in British Columbia, I think the bill, if it should pass, would do an exceedingly great service to British Columbia by serving

to concentrate power development on the non-salmon bearing streams, thus ensuring that the fish runs of the Fraser river will be maintained through perpetuity.

Mr. J. F. Browne (Vancouver-Kingsway): Mr. Speaker, I am sure not many members of the house will find themselves in disagreement with the principle of this bill which is that nothing should be done by way of placing obstructions in the Fraser that shall damage this great food source. In view of the ever increasing world population and the shortage of food it becomes more important with the passage of time. I think also we should not look at it entirely from the point of view of the value that is there at the present time because this is not only a renewable resource but one which can be vastly increased. A fairly intensive study has been made of this subject by the Fraser river board which was set up for the purpose of studying flood control and hydroelectric power in the Fraser river basin. I should like to refer to two or three statements in that report. At page 142, in dealing with the value of the fishery on the Fraser river—and I think perhaps it may be of interest to the house to have on record something of the value of the British Columbia fishery as a whole and the position of the Fraser river in relation to it—we find the following:

> In addition to the fish taken by Canadian fishermen there was a catch by United States fishermen of salmon of British Columbia origin which at 1957 prices had an average annual value of $15,525,000, of which $13,651,000 was of fish originating in the Fraser river. Therefore, the average annual value of the salmon catch originating in British Columbia waters (1952-55) at 1957 prices was $68,665,000, of which the Fraser river contributed $34,574,000, or 50.3 per cent.

That is, 50.3 per cent of the total fish production of British Columbia. To go over something of the history of the Fraser river it should be noted that it is only in very recent years that we have got anywhere near the potential of the river, because back in 1913 during the construction of the transcontinental railroad, there was a blockage of the stream which to a large extent prevented the fish from getting up to spawn. It is only in very recent years indeed that we have made a little headway in overcoming that problem. The report to which I referred previously reported on that matter as follows:

> The rock obstruction in the Fraser canyon at Hells Gate caused by the construction of a transcontinental railroad in 1913 resulted in a serious blockage to the passage of salmon at certain water levels which decimated the early migrating sockeye runs to the Chilko, Quesnel, Stuart and Nechako systems in subsequent years. The pink salmon run in 1913 was also seriously affected by the obstruction—

The paragraph goes on in that vein. I simply draw it to the attention of the house to show what any obstruction in this river can do to the runs of salmon. In 1945 and 1946 this was partially corrected by fishways which were constructed at Hells Gate where the river had been blocked. The board had the following statement to make in regard to it:

> Since 1946 the commission has been responsible for regulating the commercial fishery for sockeye so as to obtain adequate escapement consistent with the commission's objectives and at the same time divide the allowable catch equally between fishermen of both nations. After removing the obstructions, scientific principles were applied to managing the fishery, the results of which have been outstanding. In two cycles following the completion of the Hells Gate fishways the commercial catch of sockeye increased from 6,478,000 in the period 1947-50 to 18,246,000 in the period 1951-54.

I am sure the house will appreciate the record increase that took place in the production of fish from that river after the obstruction was removed. The report goes on to state further:

> It is expected that the total cyclic catch can be increased to at least 46 million fish when all the runs are fully rehabilitated.

Of course, Mr. Speaker, these runs cannot be rehabilitated if there are going to be obstructions placed in the Fraser river. For that reason I am fully in accord with the bill. I wish to refer to the report made by the fisheries committee in 1959, which has already been referred to by the hon. member for Burnaby-Richmond, because I think that the suggestion made by the committee might have been taken into consideration in the bill. The report reads in part as follows:

> Your committee expresses the opinion that no dams should be built on the Fraser river, or any of its tributaries, where such dams will, in the opinion of the Minister of Fisheries, interfere with, or be detrimental to anadromous fish runs.

I think that provision might well have been incorporated in the bill. That could be done, of course, if the bill were referred to a committee for study. However, whether or not that provision is added I certainly am fully in support of the bill and I would recommend it to the house.

Mr. Harold Hicks (Fraser Valley): Mr. Speaker, I do not believe that previous speakers have pointed out the fact that the Fraser river, one of the three great rivers in the province of British Columbia, the other two being the Columbia and the Peace, is the only one of the three that is completely within the province of British Columbia. One feature of the bill that has not been mentioned is the diking or flood control of the river.

As I see the situation, there are three problems, the protection of the salmon, prospective power use and the control of flooding, the last problem being connected in every way with the other two. Hon. members will recall that in the 1948 and 1950 floods very great damage was done in the lower Fraser valley. When I refer to the lower Fraser valley I mean the area from Hope to Vancouver or to the coast, a distance of 100 miles.

After the flood of 1948 work was immediately started to put the dikes into proper shape and it was considered as being completed in 1950. Since then, however, the dikes have been eroded. The current has cut under some of them and at the moment the people of the Fraser valley are very much concerned about what will happen during the next flood.

The boards of trade of Hope, Chilliwack, Agassiz, Mission and Abbotsford are all concerned about this matter and these boards are all represented in the associated boards of trade of the Fraser valley. A great deal of damage was done in that year and the boards of trade, as do many of the residents, feel that now is the time to put these dikes into proper shape. If the dikes go out the Fraser will run rampant and do damage again.

Hon. members may not know that every year there are two dredges working all the time between the mouth of the Chilliwack river where it empties into the Fraser about 12 miles west of Chilliwack and the town of Hope. These dredges work continually year in and year out which is an indication of how much damage is done by rubbish, trees, stumps, sand bars, gravel bars and so on in the river. The river has to be kept open for the transportation of logs from Hope right to the coast. Several companies are involved in this business and it is a great industry in the Fraser valley.

The Fraser river flood control report has suggested dams in places where they will not interfere with the salmon. I believe that the one location that is most suitable for flood control is at Clearwater north of Kamloops on the Thompson river. Apparently this would not damage the fish in any way.

Mr. Speaker: Perhaps this would be a convenient time to interrupt the hon. member, as it is six o'clock.

BUSINESS OF THE HOUSE

Mr. Chevrier: May I inquire what the business will be for tomorrow?

Mr. Churchill: I made a suggestion at five o'clock, Mr. Speaker, with regard to the business of the house. I suggested then that in the view of the government we would like to adjourn tomorrow some time, perhaps tomorrow night, if the house sees fit. We have reduced to a bare minimum the items which we feel should be considered before an adjournment should take place. In answer to the hon. member for Timiskaming, I also said that we on this side were prepared to sit tonight.

With these propositions before the house, the order of business for tomorrow would be as follows: The C.N.R. bill, which it is necessary to complete, the Income Tax Act, which would be carried to the completion of second reading but would not be considered in the committee stage, an appropriation bill for the supply which has already passed through the committee, and interim supply. I said that there might also be a report from the procedure committee, which has been sitting under the chairmanship of Mr. Speaker, dealing with certain matters pertaining to divorce. I should like an expression of opinion from the other side of the house with respect to whether that report might be tabled and considered tomorrow or whether under the circumstances non-contentious divorce bills would be considered and passed by the house tomorrow.

I put three propositions before the house for consideration: First, whether or not we should sit tonight; second, whether on the basis of attempting adjournment tomorrow night we might consider the four items of business I have outlined and, third, whether or not the divorce bills should be considered and the non-contentious ones passed or whether the report of the rules committee on that matter should be brought before the house for consideration.

Mr. Chevrier: Mr. Speaker, I think the second suggestion should be taken first. In so far as that is concerned, I think we would have to say to the house leader that I do not see how it would be possible for the other place to deal with the three matters that are now before us and to complete them by Saturday night if they sat until twelve o'clock. I understood His Honour, the Speaker, to say that the Senate had adjourned until three o'clock tomorrow afternoon. That would leave a very short time in which to deal with (1) the Senate amendments, (2) the industrial development bank bill, and (3) the Coyne matter—

Mr. McIlraith: And the C.N.R. bill.

Mr. Chevrier: —and other matters such as the C.N.R. bill and the bills that would go through the house tomorrow. It is therefore rather difficult for those of us who sit on this side of the chamber to see how they could dispose of those important items of legislation in such a short time. I think

that deals with the second item, namely the matter of sitting tonight. I do not think we could give consent to sit tonight.

So far as the non-contentious divorce matters are concerned, I presume that matter would be taken up tomorrow and I would rather rely on the opinion of my friend the hon. member for Bonavista-Twillingate on matters of divorce than give my own opinion on it. But in so far as the items mentioned by the house leader are concerned, namely the C.N.R. bill and the bill to amend the Income Tax Act, may I say that I can see no reason why we could not deal with those tomorrow. However, I should like to get an explanation of two other matters, namely why it is thought necessary to bring in an appropriation act. It has been the custom to bring in an appropriation act when all the estimates have been disposed of, but not when only a portion of the estimates have been disposed of as is the case at the present time.

Finally, in so far as interim supply is concerned, can the house leader indicate how much would be required?

Mr. Churchill: I have just one or two comments to make. As to the activities of the other place, may I say that I am not entirely familiar with their course of procedure. However, I assume that their adjournment which was reported to us this afternoon was based on an understanding of the business which would be coming before them, and I reached the conclusion that they had considered that they would have sufficient time tomorrow in which to deal with these matters. They have no automatic adjournment and can sit just as long as they wish to sit.

The two questions with regard to the appropriation act and interim supply could more appropriately be answered by the Minister of Finance. As I understand it, the appropriation bill is simply to deal with supply which has already been approved by the house for 11 departments. They have gone through committee. The total amount of money there would be summed up in an appropriation bill and would be voted. As to interim supply—and there again the Minister of Finance would be able to give the answer to that question—may I say this. It has been normal for us to ask for two months' supply at a time. Perhaps the house might consider it to be wiser to grant it for a longer period than that. I do not know; it would be up to the house to determine that matter.

Mr. Pickersgill: If I might accept the suggestion of the hon. member for Laurier that I should make a reference to this matter of divorce, may I say this. It is a well known fact that in our party we regard this matter as one of individual conscience. Any proposition that may be put before the house I am sure will be treated respectfully in that way. I think perhaps I need say no more about that matter.

I have had a word with my hon. friend, while the house leader was speaking, about the proposed appropriation bill. This is an unprecedented suggestion or, while there may be some precedent somewhere, it is certainly an unusual suggestion. I suggest to the government that they should not proceed with this idea for this reason. This appropriation bill will preclude any possibility on the part of the opposition of raising on a subsequent appropriation bill any of the matters connected with all those departments of government where supply has been voted. It seems to me that, after all, the most sacred of all our rights in the opposition is the right of airing grievances before we grant supply. The government will be in no better position after having passed this bill than they were before it was passed. They will have interim supply to last them until such time as we come back. We would feel that the more urgent business of the country should be given priority over a measure of this sort that does not seem to serve any purpose whatsoever. As for the interim supply, when the Minister of Finance indicates what his desires are in that matter I am sure my friend the Leader of the Opposition will be prepared to give his views on the matter.

Mr. Churchill: With regard to the appropriation bill may I say this. I will take into consideration with my colleagues the suggestion made from the other side. It may be possible to meet their wishes in that regard. May we hear from the C.C.F. with regard to these proposals or certainly with regard to the divorce bills?

Mr. Howard: I think the thoughts of the C.C.F. were expressed by the hon. member for Timiskaming with regard to sitting this evening and looking towards recessing or adjourning tomorrow. That possibility of sitting in the evening does not exist now.

As to the question of divorce, this is a latter reference of the minister and I understand it involves a report of a committee under your chairmanship, Mr. Speaker. I think it would be unwise now to make any comment on the contents of that report, as it has not yet been presented to the house. Perhaps this is something we can approach tomorrow.

It being 10 minutes after six o'clock the house adjourned, without question put, pursuant to standing order.

Question

ANSWER TO QUESTION

The following answer, deposited with the Clerk of the house, is printed in the official report of debates pursuant to standing order 39:

R.C.A.F. EXPENDITURES AND PERSONNEL, LOWER MAINLAND, B.C.

Question No. 276—**Mr. Regier:**

1. What have been the expenditures of the Royal Canadian Air Force for the lower mainland of British Columbia for each of the last four fiscal years?

2. How many members of the (a) regular, (b) reserve, R.C.A.F. were stationed in this area as of March 31 of each of the past four years?

Answer by: **Hon. D. S. Harkness (Minister of National Defence):**

1. 1957-58, $7,752,640; 1958-59, $6,721,990; 1959-60, $7,654,425; 1960-61, $7,422,400.

2.	(a)	(b)
1957-58	1,100	789
1958-59	910	659
1959-60	941	577
1960-61	740	548

HOUSE OF COMMONS

Saturday, July 8, 1961

The house met at 11 a.m.

COMMITTEES OF THE HOUSE

FIRST REPORT OF SPECIAL COMMITTEE ON PROCEDURE

Mr. Speaker: I have the honour to present in English and in French the first report of the special committee appointed this session to consider procedure. This committee, in accordance with the recommendations of a similar committee appointed last session, has considered the procedural problem involved in bills for the annulment and dissolution of marriage and presents for the consideration of the house its unanimous report on this subject.

(Translation):

INDIAN AFFAIRS

SECOND REPORT OF JOINT COMMITTEE

Mr. Lucien Grenier (Bonaventure) presented in English and in French, the second report of the joint committee of the Senate and the House of Commons on Indian affairs.

(Text):

PRIVILEGE

REFERENCES TO REMARKS IN DEBATE ON JULY 7

Hon. L. B. Pearson (Leader of the Opposition): I rise on a question of privilege. Yesterday, in criticizing the position of this party with regard to the Bank of Canada Act the Prime Minister, and I quote from this morning's *Hansard*—this is the first chance I have had to read *Hansard*—said as recorded on page 7687:

> When this matter was discussed on February 21, 1961, the Leader of the Opposition said on that occasion:
>
> "There is nothing a government is in a position to do . . . except to ask parliament to change the legislation or await the expiry of the term."

Those words were used on that day, and they will be found on page 2264 of *Hansard*. But they were used by the Minister of Finance, not by myself.

Right Hon. J. G. Diefenbaker (Prime Minister): I rise at once to say to the hon. gentleman that in the course of reading the quotations I made that mistake. The hon. gentleman has been very reasonable about the matter, but if he was disturbed by it he ought to realize how much more disturbed the Minister of Finance was to see words spoken by him ascribed to the hon. gentleman.

Mr. Speaker, I also wish to make reference to some errors in *Hansard* of yesterday and to refer to the hon. member for Kenora-Rainy River in particular. Errors happen when *Hansard* is pressed, as it is at this time. At page 7686 of *Hansard* for yesterday I am reported as having said:

> Hon. members may wonder what I was quoting from. Well, I was quoting the immoral words of the member for Bonavista-Twillingate—

Mr. Pickersgill: I thought the Prime Minister quoted those words with approval.

Mr. Diefenbaker: I am making reference to the word "immoral".

Mr. Pickersgill: That was the occasion of my remark.

Mr. Diefenbaker: I want to make it clear that the word should be "immortal".

I refer now generally to the portion from the beginning of the paragraph immediately preceding, which in part reads:

> I think it is always of interest to know what are the principles which should actuate a public servant—

Down to the words:

> —one way to put it is that civil servants, like children, should be seen and not heard.

Those words were, of course, quoted from the hon. gentleman's speech but have not been placed in quotation marks, as will be appropriately done in the corrected *Hansard*.

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, before the Prime Minister leaves that subject I wonder whether he could tell me—I have not had time to look and am asking merely for information—whether he was quoting a press report or the text of my speech. I am not quarrelling with it, as I have not had time to read it, but I doubt if it is "immortal".

Mr. Diefenbaker: Oh, I think it is now. I was quoting from the Ottawa *Citizen* of that date.

Mr. Pickersgill: I am sure the Prime Minister would think it is now immortal.

Mr. Diefenbaker: There is one reference I should like to make to the hon. member for Kenora-Rainy River, a good and long time friend of mine, because I would not want anyone to misunderstand my words as they

appear at the bottom of page 7720 of *Hansard* for yesterday. That hon. gentleman had been interrupting me—

Mr. Benidickson: I had risen on a point of order.

Mr. Diefenbaker: —and at the bottom of that page I used the word "sober". I should like to assure the hon. gentleman and anyone else reading this that the significance of the word "sober", as I used it, is in the sense—I have to be careful now that another matter is before the Senate—of sober second thoughts, and with no other connotation in mind. Immediately following my use of that word the hon. member is reported as having said:

This is not a sober judgment on your part.

That indicates that he understood my use of that word in the way I meant it. I want it generally understood that is what was meant, as I would not want to say anything to hurt the feelings of the hon. gentleman or any other member of this house.

PUBLICATIONS

ROYAL COMMISSION REPORT—CONSULTATIONS WITH U.S. GOVERNMENT

On the orders of the day:

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, I should like to ask the Prime Minister whether the consultations which he announced some days ago he was having with the government of the United States in respect to the recommendations of the O'Leary commission report are completed, and whether the government will soon be in a position to make a decision in regard to those recommendations.

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, hon. members of the house will realize that in the last ten days or so all of us have been very pressed. I have not had the opportunity to look into that matter in recent days. However, I shall do so and will let the house know.

TRANS-CANADA AIR LINES

REQUEST FOR REPORT ON LABOUR DISPUTE

On the orders of the day:

Mr. Gerard Loiselle (St. Ann): Mr. Speaker, I should like to direct a question to the Minister of Labour, or in his absence to his parliamentary secretary. Can the minister or his parliamentary secretary inform the house whether there are any new developments in the T.C.A. dispute? Is the labour department doing its utmost to prevent discontinuance of the service?

[Mr. Diefenbaker.]

Mr. R. D. Thrasher (Parliamentary Secretary to the Minister of Labour): I have nothing to add to what I said yesterday in reply to the hon. member for Skeena.

(Translation):

PUBLIC BUILDINGS

INQUIRY AS TO PROVISION OF BILINGUAL SIGNS

On the orders of the day:

Mr. Alfred Belzile (Matapedia-Matane): Mr. Speaker, I should like to direct a question to the Minister of Public Works. In view of the fact that new bilingual signs have recently appeared at various places in the House of Commons building to replace the former unilingual signs, could the minister inform the house whether it is his intention to have such work completed in all government buildings.

Hon. D. J. Walker (Minister of Public Works): Mr. Speaker, I wish to thank the hon. member for Matapedia-Matane for giving me notice of his question. Following a suggestion made by the hon. member for St. Hyacinthe-Bagot, instructions were given for a revision of all signs in the parliament buildings. My department is now in the process of replacing all the former unilingual signs with bilingual ones, thus correcting an anomaly that the Liberals had never noticed in their 22 years of office.

(Text):

Hon. J. W. Pickersgill (Bonavista-Twillingate): May I be permitted to ask the Minister of Public Works a supplementary question. On whose authority was the word "men" translated "messieurs"?

Mr. Walker: That is an interesting question. I knew the hon. member would think along the lines of the wash room. This has been recently corrected, and if he will notice he will find that the French sign on the door of each of the wash rooms is correct. That should satisfy even the sensibilities of the most precious flower of the House of Commons.

EXTERNAL AFFAIRS

BOLIVIA—REPORTED BOMBING OF CANADIAN CHURCH PROPERTY

On the orders of the day:

Hon. Paul Martin (Essex East): May I ask the Secretary of State for External Affairs if his attention has been drawn to the bombing of certain church and other property in Bolivia owned by the Canadian Oblate fathers. Can the minister say whether any representations are being made in this matter by the government, and if the diplomatic mission of

any other country, possibly that of the United Kingdom, is being used on Canada's behalf in this regrettable incident?

Hon. Howard C. Green (Secretary of State for External Affairs): Mr. Speaker, according to press and radio reports a radio station operated by Canadian Oblate missionaries in Bolivia was bombed during labour troubles three days ago. The Canadian ambassador designate to La Paz, Mr. Alfred Pick, who is our ambassador to Peru, will be presenting his letters of credence next week and will be in a position to report on this incident. In the meantime the Department of External Affairs has communicated with the British embassy in Bolivia to ascertain the facts. Until now there is no evidence that the lives of Canadian missionaries have been endangered.

Mr. Martin (Essex East): Can the minister say whether the report is correct that the bombing has taken place at the insistence of and by groups who are supporters of the communist party in Bolivia?

Mr. Green: I am not in a position to comment on that at the moment.

FISHERIES

NOVA SCOTIA—REQUEST FOR EXTENSION OF LOBSTER FISHING SEASON

On the orders of the day:

Mr. Robert Muir (Cape Breton North and Victoria): Mr. Speaker, may I ask the Minister of Fisheries a question, notice of which I sent to him a few minutes ago. Can the minister advise whether he is yet in a position to inform the house if an extension of the lobster season is to be granted in district 6B? I may say such extension has been requested unanimously by the fishermen concerned.

Hon. J. A. MacLean (Minister of Fisheries): Mr. Speaker, the situation in this district is being watched carefully. By Monday or Tuesday I hope to have up to date figures on the production in that area available to me, and at that time a decision will be made whether or not there will be an extension.

HOUSE OF COMMONS

PRESENCE IN GALLERY OF VISITING BOY SCOUTS

On the orders of the day:

Mr. E. W. Brunsden (Medicine Hat): I should like to address a question to the Prime Minister. No doubt the Prime Minister has noticed in the gallery a large number of Scouts from Canada and the United States, and I wonder whether he would care to say a word of welcome to them.

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, I shall say no more than that those who belong to that great organization, the Boy Scouts, do much for the building of good citizenship in all the countries in which scouting has a place. We are indeed happy to have with us the representatives of scouting in these two countries who have come here on the occasion of this general gathering. To them and through them to their respective groups I extend the warmest of greetings and the appreciation of all Canadians for what being a scout does toward the making of that type of citizenship which is the aim and purpose of all of us.

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, I hope we on this side may be permitted to associate ourselves with the remarks of the Prime Minister in the welcome he has given. There is no organization, national or international, which does more for the production of good citizenship.

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, the members of this group join with the Prime Minister and the Leader of the Opposition in extending greetings and a hearty welcome with a full appreciation of the work that this organization is doing on a world-wide basis for youth everywhere.

FINANCE

ROYAL COMMISSION—INQUIRY AS TO TERMS OF REFERENCE AND MEMBERSHIP

On the orders of the day:

Mr. W. M. Benidickson (Kenora-Rainy River): Mr. Speaker, I should like to address a question to the Minister of Finance based on his announcement in the budget of the decision of the government to appoint a royal commission to examine Canada's financial structure and institutions. Has the government settled the terms of reference, and when may we expect an announcement of the membership of the commission?

Hon. Donald M. Fleming (Minister of Finance): In due course, Mr. Speaker.

BUSINESS OF THE HOUSE

REQUEST FOR LIST OF OUTSTANDING RETURNS

On the orders of the day:

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, as we are coming, we are told, near the adjournment of the session, I wonder if I could ask the Secretary of State whether he would be good enough to see if it would be possible to furnish us in the next day or two with the usual list of orders for returns to which returns have not

yet been made, so that it would be available for the convenience of hon. members in their work?

Hon. Noel Dorion (Secretary of State): I will try my best, Mr. Speaker.

POWER

COLUMBIA RIVER—INQUIRY AS TO MEETING WITH PREMIER BENNETT

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I should like to direct a question to the Minister of Finance. In view of the fact that the member for Kootenay West had the opportunity for a conversation with Premier Bennett of British Columbia during his visit to Ottawa, did the premier extend the same opportunity to the Minister of Finance?

Hon. Donald M. Fleming (Minister of Finance): No, Mr. Speaker, I had no conversation with Premier Bennett during his recent visit to Ottawa. I understand he was kept rather busy, being otherwise engaged and having come to Ottawa for rather different purposes than to discuss Columbia river financing.

Hon. J. W. Pickersgill (Bonavista-Twillingate): I should like to ask the Minister of Finance a supplementary question. Is the minister yet in a position to table, as I believe has not been done so far, the most recent correspondence he has had with the premier of British Columbia?

Mr. Fleming (Eglinton): Mr. Speaker, I have no objection to the tabling of that correspondence. I have not been asked to table it previously. Consequently I have no consent to table from Premier Bennett. If the house wishes that consent to be obtained, I certainly have no objection.

Mr. Pickersgill: I think, sir, many hon. members would be most interested in seeing the rapid progress that is being made in these Columbia negotiations, and I would hope that on this occasion the minister would take advantage of the facilities of the telephone or telegraph instead of the post, so that we may hope to have this correspondence before we adjourn.

Mr. Fleming (Eglinton): If the matter is regarded by the hon. gentleman as one of such urgency perhaps I may be permitted to express surprise that he has not put a notice of motion for the production of the papers on the order paper in these recent weeks, because I announced to the house some weeks ago that this correspondence had occurred.

Mr. Pickersgill: Since the minister has chosen to make this observation, I might point out that if he will look back in *Hansard* he will find the question was raised by one of my colleagues the other day, and I understood at that time the minister was seeking permission of the premier of British Columbia.

Mr. Fleming (Eglinton): I point out that I was not asked to obtain it. A question was asked about the correspondence and I was surprised, Mr. Speaker, that no hon. member had seen fit to ask that the necessary consent be sought in order that the correspondence could be tabled.

COMMONWEALTH RELATIONS

GHANA—REQUEST FOR ENGINEERING ASSISTANCE ON VOLTA DAM CONSTRUCTION

On the orders of the day:

Mr. J. W. Kucherepa (High Park): I should like to direct a question to the Prime Minister. Has the President of Ghana requested Canada to provide engineering assistance in connection with the building of the Volta dam?

Right Hon. J. G. Diefenbaker (Prime Minister): I believe a couple of days ago the President of the United States, in a letter to Mr. Nkrumah, expressed the view that the financing of this great project was now in such a position that there was hope it could proceed shortly. Some days ago, I would say to the hon. member for High Park, President Nkrumah communicated with me and asked whether there was available in Canada an outstanding engineer whose qualifications would fit him to head the Volta river authority in Ghana. This was quite a tribute, I thought, to the international reputation of Canadian hydro engineers.

At the present time, as the hon. gentleman knows, the high commissioner for Ghana is meeting with various persons with a view to ascertaining whether or not there is available such a person as might meet the needs of Ghana. I hope he will be successful. We have some engineers who would be only too glad to undertake the responsibility provided they could be freed of their Canadian responsibilities, if only for the period necessary for the construction of the dam.

NATIONAL PARKS

TERRA NOVA—INVITATION TO PREMIER OF QUEBEC TO ATTEND OPENING

On the orders of the day:

Hon. J. W. Pickersgill (Bonavista-Twillingate): I wonder if I might put a question to the Minister of Northern Affairs and

National Resources, and in doing so thank the minister for his courtesy in inviting me to attend the opening of Terra Nova national park next Saturday. The question I want to put to the minister is, has he thought of sending an invitation to his predecessor, who is now the premier of Quebec, and who was the founder of that park which has been such a blessing to Newfoundland as sources of employment and for the amenities it has provided?

Hon. W. G. Dinsdale (Minister of Northern Affairs and National Resources): Mr. Speaker, I assure the hon. member for Bonavista-Twillingate that we have given consideration to inviting all the persons who are presently interested in Terra Nova national park.

(Translation):

POST OFFICE DEPARTMENT

REQUEST FOR PAID HOLIDAYS TO PART TIME EMPLOYEES

On the orders of the day:

Mr. Azellus Denis (St. Denis): Mr. Speaker, may I put a question to the Postmaster General? Did the Postmaster General discuss recently with the Secretary of State the question of granting part time postal employees annual leave with pay, and, if so, would he care to inform the house of the results of the discussion?

Hon. W. M. Hamilton (Postmaster General): No, Mr. Speaker, there were no discussions recently on the matter. However, I answered a quite similar question ten days ago, I think.

(Text):

CANADIAN NATIONAL RAILWAYS

PROVISION FOR CAPITAL EXPENDITURES, ISSUE OF SECURITIES, ETC.

Hon. Donald M. Fleming (Minister of Finance) moved the second reading of Bill No. C-121, to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways system for the period from the 1st day of July, 1961 to the 30th day of June, 1962 and to authorize the guarantee by Her Majesty of certain securities to be issued by the Canadian National Railway Company.

He said: Mr. Speaker, I think there is probably little that I can usefully say concerning this measure on this motion for second reading. The matter was considered in committee at the resolution stage on July 6, and I think the necessary explanations were given at that time.

Bill No. C-121 follows precisely the terms of the resolution. That resolution was in what has become something of a standard form. It is the same form as was used last year, with the addition of one clause which becomes necessary this year for special reasons which I explained at the committee stage. Since the resolution was reported and the bill given first reading the report of the sessional committee on railways, air lines and shipping owned and controlled by the government was tabled in the house yesterday and is available to all hon. members.

Hon. Lionel Chevrier (Laurier): Mr. Speaker, the minister has made another short statement in connection with the second reading of this bill, but neither he nor the Minister of Transport has answered the questions which we put to them at the resolution stage. At that time we made it quite clear that we would object strenuously to the passage of this measure until we knew who the new directors of the Canadian National Railways were going to be and what was the status and position of the president.

After all, sir, the bill to increase the number of directors of the C.N.R. from seven to 12 was passed many weeks ago, and I think the house is entitled to know, by virtue of the doctrine enunciated by the Prime Minister in another debate yesterday, who these directors are going to be, when parliament is being asked to authorize the expenditure of vast sums of money by the Canadian National Railways. Notwithstanding the statement made by the Minister of Finance, no information has been given to us in that regard.

There was another complaint made from this side of the house. It had to do with the custom and practice concerning this refinancing bill for the C.N.R., namely that it should not have been introduced until the report of the committee on railways, air lines and shipping had been made. When the resolution was introduced that report had not been made. It has now been tabled. Again I repeat, this only points up the disorder and the delay on the part of the government in organizing the business of the house. The business of the house with reference to committees has been so badly organized that it was not possible for this important committee to meet until the dying days of the session, whereas the custom has been over the years for the committee dealing with the annual reports of the C.N.R. and T.C.A. to meet much earlier. As I indicated on a previous occasion, the committee has met in March and April but rarely, in my recollection, has that committee met as late as June, save and except when the parliamentary session was late in beginning its deliberations. I shall come to that matter again at a later stage.

The bill which is now before us and for which second reading is sought seeks to authorize the Canadian National Railways to meet certain expenditures for the period January 1, 1961 to June 30, 1962; next, to authorize the guarantee by Her Majesty of certain securities issued by the Canadian National Railways. That provision was broken down into six parts by the minister when he introduced the resolution. I will not go into all of those, but I should like to make a general reference to them.

The first purpose sought by this measure is to authorize the C.N.R. to incur capital expenditures not exceeding $179 million, roughly speaking, during the calendar year 1961; next, to authorize the company to make prior to July 1, 1962 such capital expenditures as may be necessary to discharge obligations incurred under the 1961 act. Third, the purpose to be served by the bill is to authorize the railways to enter into contracts prior to July 1, 1962 for new equipment.

There are also three other provisions in the resolution which have been referred to by the minister. They have to do with the capital revision of the Canadian National Railways. They have to do more particularly with extending provisions which were contained in enactments recommended by the previous royal commission on transportation way back in 1950, the Turgeon commission. They deal first with the intention on the part of the government to proceed with the re-examination and revision of the capital structure of the railway company prior to December 31, 1961. I should like to quote the minister's words, which are to be found at page 7640 of *Hansard* of July 6, 1961:

> However, since the complete report of the royal commission on transportation has not yet been received it was considered advisable to make provision in the 1961 act for a one-year extension of the present capital structure.

The minister went on to say:

> As the president of the C.N.R. indicated in the recent hearings before the sessional committee on railways, air lines and shipping, the capital structure is at present under study. This review will be continued in the light of the complete report of the royal commission once it has been received.

The report of the committee on railways, air lines and shipping, which was tabled yesterday by the vice-chairman of that committee, contains one passage which I think should be brought to the attention of the house in this respect. It is the one entitled "Deficits", and it reads as follows:

> The committee noted with concern Mr. Gordon's evidence to the effect that consideration was given to asking the government of Canada to take over from $700 million to $900 million of the railways debt structure.
>
> This proposal has two unusual aspects: (1) the royal commission of 1950 dealt at length with debt problems of the C.N.R., recommending an alleviation which was carried out in 1952; (2) a most recent royal commission has completed its hearings without any evidence by the C.N.R. on the need for another debt revision. In the light of this, the committee suggests that the government examine such a proposition with great care.

There seems to be a difference between the statement made by the minister on the resolution and the recommendation made by the committee, and I wonder if the minister when he closes the debate would deal with this aspect of the matter.

Mr. Fleming (Eglinton): I wonder if the hon. gentleman would be good enough to enlarge on that point so I might follow him more clearly. I should be glad to comment on it if I can, but I am not too clear as to where he finds any difference.

Mr. Chevrier: I shall be glad to do so as I go along. I am a member of this committee, but because of the debates on other matters which took place in this house I did not attend the meetings at which this report was prepared and drafted. Incidentally, in passing, I think those members who sit on this side of the house would wish to extend to the hon. member for Dufferin-Simcoe (Mr. Rowe) our commendation for the manner in which he carried on as chairman of that committee. Not only did he deal objectively with a committee which might well have brought in recommendations which could have caused serious concern to the national railways, but he dealt with the affairs of the committee in an orderly and efficient manner.

I should like also to say a word of felicitation to the vice-chairman, the hon. member for Simcoe North (Mr. Smith) who, when the hon. member for Dufferin-Simcoe unfortunately fell ill, carried on, particularly with the meeting having to do with the report. I am sure the members on this side of the house would wish me to extend to him our commendation. I should also like to say to the hon. member for Dufferin-Simcoe that we hope he will be quickly and completely restored to health.

Having said that, I come to the matter of the revision of the capital structure of the Canadian National Railways. The house will remember that in 1951 the Turgeon royal commission made certain recommendations, most of which were afterwards adopted by the government of the day, dealing with the capital structure of that company. These recommendations may be found at page 196 of the report and I have no intention of reading them, because they are lengthy. They can be seen by anyone who is interested. The Canadian National Railways had asked for these recommendations, or at least had made

representations directed towards these recommendations, and the government saw fit to implement them.

I gather from the statements which the minister made during consideration of this matter on July 6 that the revision of the Canadian National Railways capital structure was under consideration by the government at the suggestion of the C.N.R. and, further, that the matter was also under consideration by the royal commission on transportation. The committee report indicates, in a statement which I have already put on the record, that no evidence has been submitted to the royal commission by the C.N.R. on the need for another debt revision. While I take it that the terms of reference of the present royal commission, the MacPherson royal commission, are broad enough to deal with capital revision, I take it also that the commission would not deal with this subject unless representations had been made by the Canadian National Railways.

That is why I have indicated to the minister that I think there is a difference, slight though it may be, between the statement made by the minister and the recommendation which has been made by the committee, and I would ask the minister to clarify the position. Has the Canadian National Railways (1) made representations to the government having to do with this capital structure because of the loss of traffic and the debt position? (2) Has the government come to any decision with respect to a capital revision and, (3) has the government asked the royal commission on transportation to deal specifically with this matter on behalf of the Canadian National Railways? Since the royal commission has not yet handed down its second, and probably third, reports it may well be that if the government gives some instruction to the royal commission it will want to bring in a recommendation.

It is true, or I take it that it is true from the statement made in the report of the committee on railways, air lines and shipping, that no evidence was submitted by the C.N.R. to the royal commission, so I think the house should have from the minister a statement in connection with the whole matter. In the committee the Canadian National Railways made it clear that the position of the railways was very serious, and that the government was giving the matter consideration. Thus I think in the light of the report by the committee, and in the light of the reports of the royal commission still to be handed down, we should be given some indication by the minister of what the over-all picture is.

Mr. Fleming (Eglinton): I shall be glad to do that.

Mr. Chevrier: I thank the minister for that interjection. I pass on to another matter which I think is of importance to the house. The other day when I spoke on the resolution I said the government had no right to bring in a measure of this nature until we in this parliament knew who the directors of the Canadian National were going to be, and until parliament knew who the president of the C.N.R. was going to be.

Now, sir, for more than nine months the president of the C.N.R. and some of the directors of the C.N.R. have been carrying on from day to day with their services being continued on sufferance and, to use a brutal expression, not knowing when their heads were going to be chopped off. This is a situation which I do not think should be allowed to continue under a free parliament such as we have in this country. How can any enterprise be well managed amid such uncertainty? There is no group of shareholders in any corporation who would stand for this kind of conduct for one moment. How can the affairs of any corporation, whether it be a private corporation or a public corporation, be properly administered and carried on if the shareholders do not know what kind of directors it is going to have, what their competence is and what their business ability—

Mr. Benidickson: With $700 million expenditure.

Mr. Chevrier: —is in administering, as the hon. member for Kenora-Rainy River points out, the affairs of a corporation, particularly this one having to do with the expenditure of some $700 million or more? I submit hon. members of this house are entitled to have that information.

Backbenchers on the government side of this house have sniped and snarled repeatedly at the president of the Canadian National Railways when he was not here. The president of the Progressive Conservative association in the other house has suggested, and it has been repeated by the press all across the country, that the Canadian National Railways management is going to be divided into two parts, one head having to do with the management and the other having to do with the chairmanship of the board of directors. If that is going to be the policy of the government; if one half of the responsibilities of the C.N.R. is going to be taken away from the president of the C.N.R., we should know about it.

The friends of the government have sought to undermine the management of the C.N.R. They have called the president a dictator and many other names, yet the government

has put up no defence. The Minister of Finance is not chiefly responsible for the administration of this corporation and I shall leave my reference to him to one side for the moment. However, the Prime Minister and the Minister of Transport have not at any time risen in this house to defend the president or the directors of the Canadian National Railways. The only member who did so was the hon. member for Greenwood (Mr. Macdonnell), who at one time rose to say that he was not going to sit in his seat in the light of his experience in this house and allow those charges to be made without any answer.

The Minister of Transport, I regret to say, is not in his seat at the moment. I am sure he is busily engaged on matters concerning the affairs of the country. However, he or the Prime Minister should have risen in this house to give some indication of the position of the government, and in defence against the charges of arbitrary conduct and dictatorship on the part of the president and directors of the C.N.R.

However, yesterday in another debate the Prime Minister said there can be only one sovereignty in this country. No one for a moment would disagree with that affirmation. We on this side of the house agree that there can be only one sovereignty in this country. The Liberal party takes the position that parliament alone is sovereign in matters of this kind, and that the will of parliament must in the last analysis prevail. The Prime Minister seems to think that he is parliament and that parliament must accept his say so, because we are refused information, at the moment we are being asked to vote huge sums of money, as to who the directors are going to be who will spend and administer this money, and who the president is going to be who will be responsible for the direction and administration of this corporation. It is suggested that we must accept the Prime Minister's say so because he refuses to tell parliament who the head of this institution is going to be and who its directors are going to be.

The Prime Minister asks us in effect, and this is the long and short of it, to rubber stamp and authorize unknown men to spend millions of dollars of public funds. No doubt when parliament is adjourned he can then thumb through the long list of defeated Tory candidates and other friends of the party and hand out these kinds of plums, such as the C.N.R. directorships.

Mr. Browne (St. John's West): It is not as long as the Liberal list.

Mr. Chevrier: In so far as the Canadian National Railways is concerned, I need not repeat what I said the other day when I put on the record the Conservative list; but if the same practice is going to be followed in the appointment of the new directors as was followed in the appointment of the old, there is no doubt that the Prime Minister is going to take out his list and make use of it on this occasion.

Even more important than that is the fact that here we have the president of a large corporation who is still on sufferance and does not know from day to day what is going to happen to him or to his position. I say that parliament should be told what is the position. Let this government remember what it used to say when it was in opposition. When it was in opposition it used to say that government is the servant of parliament, not its master, and that parliament should not be asked to vote large sums of money—or sums of money no matter how large or small—without knowing who is going to spend it. We have a position exactly similar to that which was taken by those individuals who are now in the treasury benches, who said when on this side of the house that they wanted to know who was going to spend this money. We say that we should not authorize the expenditure of one cent of the public's money until we know who those individuals are who will spend it.

If the government has lost confidence in the president of the Canadian National Railways it is not obliged to reappoint him, but it should let us know. The government should tell us whether his successor is to be a competent person who has the business ability to run a railway. The government should also tell us whether the directors who will be appointed as a result of the increase in number from seven to 12, as well as those present directors who will be reappointed, are men who are competent and capable of administering the millions of dollars of public funds which will be spent for the railway.

What is the attitude of the Prime Minister, sir? His attitude is that this is not the business of parliament, and that all we are here to do is to rubber stamp the government's bills and then go home. Why can the government not make up its mind in this regard, as it has not been able to make up its mind in regard to so many other matters? I suggest, Mr. Speaker, that this cat and mouse game, this treatment of public servants, is what is demoralizing the public service of this country more than anything else. That is why there has been such an exodus of public servants from Ottawa since 1957. I do not suggest, sir, that all of them have left

exclusively because of the way the government has treated them, but there is an amazing list, and I should like to put on the record some of those individuals who have gone.

There is Mr. Clarence Shepherd, former chairman of the board of transport commissioners; Mr. Hector McKinnon, former chairman of the tariff board; Mr. George McIvor, former chief commissioner of the board of grain commissioners; Mr. Davidson Dunton, former chairman of the Canadian Broadcasting Corporation; Mr. Allan Jarvis, former director of the national gallery; Mr. W. J. Bennett, former president of Eldorado and Atomic Energy of Canada; Mr. Mitchell Sharpe, former deputy minister of trade and commerce; Mr. Charles Gavsie, former president of the St. Lawrence seaway authority; Mr. Jean C. Lessard, former vice-president of the St. Lawrence seaway authority, and Mr. Alphonse Ouimet, who while he has not been affected or has not gone has certainly been slapped in the face by the recommendation of the committee on broadcasting. Is that the way, sir, to treat public servants? Is this the way in which to deal—

Mr. Deputy Speaker: Order. I think the hon. member for Laurier is going a little too far in this respect, because this could easily turn into a completely irrelevant debate if we were to discuss the number of public servants who have left the service. I appreciate that the hon. member may mention it in passing, but he is now doing more than that.

Mr. Chevrier: Mr. Speaker, I say to you with deference that I am building up an analogy with the position of the president and directors of the Canadian National Railways, and I am saying that the manner in which the president and the directors of the C.N.R. are being treated is analogous to the manner in which 10 or 12, in fact 20 others that I could put on the record have been treated. I am not dealing with the others, save to mention them in passing, and I submit to you with deference that I have the right to do that. What about the position of the under secretary of state? I asked questions of the Prime Minister on that and he knew absolutely nothing about it.

Mr. Deputy Speaker: Order.

Mr. Fleming (Eglinton): May we have the rules of order observed?

Mr. Pickersgill: More gagging of parliament.

Mr. Deputy Speaker: Order.

Mr. Fleming (Eglinton): The hon. member tried yesterday to prevent me from making a proper statement in the house.

Mr. Deputy Speaker: The hon. member for Laurier indicated that he wanted to establish an analogy between the case of the directors of the C.N.R. and other public servants who have left the service or who are going to leave it, but now he discusses each case in detail. This is what he has been doing with regard to the president of the C.B.C. Now he is discussing the case of the under secretary of state. This is where I think he is going too far.

Mr. Chevrier: Mr. Speaker, I am not discussing each case. I disagree with you respectfully. I have put these 12 names on the record and I was going on to build up an analogy between them and others. If I were to discuss the cases seriatim I could spend many minutes on each one but, as I said a moment ago, I do not intend to do that. But what I do intend to do is to draw an analogy between the treatment of the president and directors of the C.N.R. and other public servants, and to establish a fact which I think is unchallengeable, that there is great uneasiness in the public service today.

Mr. Pickersgill: Just a reign of terror.

Mr. Chevrier: I had stated a moment ago the position—

Mr. Hellyer: A terrible reign.

Mr. Chevrier: —of the under secretary of state and the reply—

An hon. Member: Talk about the seaway.

Mr. Chevrier: —which the Prime Minister gave to me on that occasion. This prompted *Le Droit* to write an editorial on July 5, a very recent editorial, entitled:

(Translation):

An alarming exodus.

(Text):

The first sentence reads as follows:

(Translation):

Mr. Charles Stein's resignation from the Secretary of State department is most unfortunate.

(Text):

Mr. Fleming (Eglinton): Order. I rise on a point of order, Mr. Speaker. In defiance of your ruling the hon. member is proceeding now to try to make something out of the resignation of Mr. Charles Stein. His letter was read in this house some days ago, and the reasons for that resignation were given by him in his own letter, indicating that he considered he had been well used and was leaving to enter private practice. Is the hon. member now to be permitted to discuss this case? What has the resignation of the under secretary of state to resume the practice of law to do with a bill relating to the financing and guaranteeing of the financial obligations of the Canadian National Railways? We could go around the whole spectrum of the public service if that were the case.

Mr. Pickersgill: On the point of order which the Minister of Finance has smuggled in, to use his own word, for the purpose of making his own speech about this matter and indicating the government's point of view, that, of course, is just what we have witnessed for days in this house when the minister alone was allowed to give evidence. But I am not dealing with that; I am dealing with the minister's point of order. Before he heard whether or not what my hon. friend had to say was relevant to the matter, merely because someone's name was mentioned the minister presumed to anticipate his arguments. Now, surely in this free assembly it is for us on both sides of the house to decide what arguments we consider are valid to make our points, and no hon. member should be interrupted by the most arrogant of ministers—

Mr. Deputy Speaker: Order. The hon. member will realize that he is doing exactly what he is reproaching the minister for doing.

Mr. Chevrier: I want to rise on a point of order.

Mr. Deputy Speaker: Order. I am considering a point of order now. I indicated my view previously, and I think really that the hon. member for Laurier is going too far. I do not mind him mentioning cases, but now he intends to go on and discuss each case in detail. When he started to discuss the case of Mr. Ouimet he added something which to me was irrelevant, and he was proceeding to do the same thing with regard to the under secretary of state. I do not mind his building up an analogy, as he said, but to discuss each case in detail is certainly not necessary for his analogy, nor is it relevant to the debate.

Mr. Chevrier: Mr. Speaker, I rise on a point of order for two purposes. First I should like to say that I think the treatment—and I say this to you with great respect—having to do with the application of the rules of the house should be meted out to hon. members on both sides of the house with equal fairness. I am not saying that is not the case at the moment. What I am saying is that when a point of order is raised by a minister there is a tendency not to give those of us who sit on this side of the house an opportunity to deal with that point in the manner in which it should be dealt with.

The next thing that I should like to deal with is the minister's statement when he raised his point of order to interrupt my mention of the under secretary of state. He said that the matter had been settled because—

[Mr. Fleming (Eglinton).]

Mr. Fleming (Eglinton): I did not say it had been settled.

Mr. Chevrier: All right. Let me put it this way, that it had been dealt with—

Mr. Fleming (Eglinton): No.

Mr. Chevrier: —by the Prime Minister reading into the record the letter of resignation of the under secretary of state. He said he considered he was well used. Well, I am not going to sit in this house and accept that statement. I do not believe that such letter, any more than many of the other letters that hon. ministers on the other side of the house have received, is necessarily an indication at all of the good treatment which those public servants have received. But I do believe this—

Mr. Fleming (Eglinton): Order. I rise on a point of order.

Mr. Chevrier: I am on a point of order.

Mr. Deputy Speaker: I will hear the hon. member for Laurier.

Mr. Chevrier: Thank you, Mr. Speaker. I do believe that when distinguished public servants have to leave either because of the treatment that is being meted out to them—

Mr. Browne (St. John's West): On a question of privilege—

Mr. Chevrier: —because of the fact—

Mr. Browne (St. John's West): On a question of privilege, Mr. Speaker—

Mr. Chevrier: I have the floor, and unless I am told by the Speaker I will not sit down.

Mr. Deputy Speaker: Order. I do not think a question of privilege may intervene when a point of order is being discussed, but I will hear the hon. member later on. However, at this point I just ask the hon. member for Laurier not to discuss at too great length the facts when dealing with the point of order. I should like him to point out exactly what is his point of order in relation to the point that he is now discussing, because he will realize that we are going to have a debate within a debate if we continue in this way.

Mr. Chevrier: On the point of order, the second matter with which I was dealing and which goes to the root of the point of order is the right of any member of parliament to make a comparison between the treatment of one public servant and the treatment meted out to another. I was proposing to do that by indicating that notwithstanding the letter showed that the public servant was—

An hon. Member: Happy.

Mr. Carter: Well used.

Mr. Chevrier: —well used, as the minister stated, there is a reason for such a letter being written, and I know it too well.

Mr. Deputy Speaker: Order. I understand the point which the hon. member for Laurier is making, but I think he is discussing the ruling of the Chair. I will agree with him, however, that the Minister of Finance should not have taken the opportunity when he rose on the point of order to explain why the under secretary of state is leaving, but I must say with all due deference to the hon. member for Laurier that he had started to discuss in detail the case of the under secretary of state and now he is continuing to do so. That is exactly the danger in a case like this. If the hon. member for Laurier wants to build an argument he does not need to discuss each case in detail, because if he does that the result will be that we will be discussing this problem which is a side issue to the present bill. There is no doubt about that.

I am not telling the hon. member that he cannot make a comparison. I am not saying that these matters cannot be discussed in the house, but the most difficult problem for the Chair recently and in fact throughout the whole session has been that hon. members seem to want to discuss things when it is not the proper time to do so. If the Chair has no co-operation from all sides of the house, and I am not pointing to any side in particular, I think it is going to be very difficult to conduct an orderly debate and be fair to everybody. I assure the hon. member for Laurier that the Chair has only one intention, to be fair and to give equal treatment to all. But the Chair will not be able to do that if there is no co-operation.

Mr. Valade: On the point of order—

Mr. Deputy Speaker: Order. The hon. member for St. Mary will agree, I think, that the Chair has made a ruling now and that this point of order has been sufficiently discussed.

Mr. Valade: Mr. Speaker, this arises from another issue which the hon. member for Laurier mentioned before. He has referred to a list of civil service employees who have left the employ of the government. As you have just said, Mr. Speaker, if this latitude is granted to one member advantage could be taken of it by other members. Will we also be allowed in this debate to mention the names of civil servants who left—

Mr. Deputy Speaker: Order. The Chair will make a decision when the time arises.

Mr. Browne (St. John's West): Mr. Speaker, I rose on a question of privilege because after you had made your ruling the hon. member for Laurier proceeded to bring out the argument that he had ready in the first place. It seemed to me that it was an infringement of the privileges of the members of the house that he should depart so far from the ruling with irrelevancies of the nature he was discussing.

Mr. Chevrier: Mr. Speaker, I am extremely sorry that I have offended the sensibilities of the Solicitor General and prompted him to rise on a question of privilege. Apparently the Solicitor General is a little embarrassed by this list. Apparently the Solicitor General is embarrassed not only by the list but by the treatment that is being meted out by himself and his colleagues to prominent members of the public service of Canada. Otherwise he would not have objected. It seems to me that the Solicitor General should not be nearly so sensitive. After all, if there is no objection there is nothing to hide, and surely the government should have no objection to allowing me to make a comparison between the treatment meted out to the C.N.R. directors and president and that meted out to some of the members of the public service.

Mr. Pickersgill: They do not like to be reminded of the heads that have rolled.

(Translation):

Mr. Johnson: Tell the truth, do not be a hypocrite.

(Text):

Mr. Chevrier: It appears, Mr. Speaker, that what I am saying is not very palatable to those who sit on the other side of the house.

Mr. Fleming (Eglinton): It is so unfair.

(Translation):

Mr. Johnson: We find hypocrites amusing.

Mr. Deputy Speaker: Order. I have heard a term which is certainly not parliamentary. I do not know whether it was directed at a member of the house, but if that is the case, or in any event, I would ask the hon. member for Chambly-Rouville (Mr. Johnson) to indicate that he was not referring to an hon. member of the house.

Mr. Johnson: There are many hypocrites who criticize when they are in the opposition but do worse things when they are in office. The little brothers of the hon. member for Laurier in Quebec are an example among others.

Some hon. Members: Withdraw.

Mr. Johnson: They are hypocrites and pharisees.

(Text):

Mr. Chevrier: Mr. Speaker, the other day when I used a similar expression with respect to the Minister of Finance I was called to order at once and I had to withdraw it. I think the inference here is quite clear.

(Translation):

Mr. Deputy Speaker: Order. I asked the hon. member for Chambly-Rouville to make things quite clear, and he answered that he was not referring to the hon. member for Laurier (Mr. Chevrier). But I do not know whether he was referring to other hon. members, and in that case, I would ask him to make it quite clear that the term did not apply to any member of this house.

Mr. Johnson: First of all, Mr. Speaker, I should return to my seat, because I am not now at my regular desk. If you will allow me, I shall return there. Otherwise, I might be called to order.

If Your Honour will allow, the hon. member for Laurier, with his usual and acknowledged ability, tried to relate the discussion to Ottawa. I was speaking of pharisees and hypocrites in Quebec, not in this house. I was speaking of the Liberal hypocrites in Quebec, not in Ottawa.

Mr. Deputy Speaker. Order.

(Text):

Mr. Chevrier: Mr. Speaker, this is a diversionary tactic such as we have become accustomed to in the house. I now return to the article which appeared in *Le Droit* on July 5, and I should like to read one paragraph having to do with the resignation of the under secretary of state.

(Translation):

The resignation of Mr. Charles Stein, the under secretary of state, is most unfortunate. Not only does it cause consternation but it increases the unrest which was already great following the recent resignation of high public officials.

The present government should do a serious self-examination. It should ask itself whether it is not at least partly responsible for that exodus, and if all the changes that have been made or which are forthcoming are likely to reinforce government administration and serve the interests of the Canadian people.

(Text):

What I want to do, Mr. Speaker, is to compare the attitude taken by the Prime Minister and the Minister of Transport in connection with the directors of the C.N.R. and the attitude taken by the Secretary of State for External Affairs when he was minister of public works. In 1957 and 1958, when it was suggested repeatedly that heads were going to roll in the Department of Public Works, he rose in this house and without the slightest hesitation made it quite clear that in so far as he was concerned the officers of his department had his confidence, that the heads of the officers of his department were not going to roll, that the officers of his department were administering the affairs of that department with efficiency, and that he had perfect confidence in them. I think he even went one step further and said that in so far as he was concerned all government servants were of the same calibre.

Why can we not have a repetition of that now? What has happened in the period between 1957-58 and 1961 to bring about such a change of attitude on the part of the government and its supporters? We feel it in the air. We see it in the reports of committees. We see what goes on in this house. On the part of those who sit on the other side of the house there seems to be a tendency to challenge the efficiency and loyalty of those men and women who are in the public service of Canada. The time has come to obtain a fresh outlook—

Mr. Macdonnell: What evidence is there of that?

Mr. Chevrier: What is that?

Mr. Macdonnell: Can you adduce any evidence of any kind for what you are saying?

Mr. Pickersgill: Look at the heads that have rolled.

Mr. Chevrier: Let me deal with the statement of the hon. member for Greenwood (Mr. Macdonnell). He says, what evidence is there? Why did he rise in the House of Commons the other day to defend the president of Canadian National Railways after members of his own party rose and attacked him? The hon. member did so because the government did not have the courage or the decency—the Prime Minister or the Minister of Transport —to support these public servants who have rendered a great service to Canada.

There are other very clear indications. When I am asked to produce evidence, I may say there is a difference between evidence that is produced in a court, as has been said so often from the other side of the house, and extraneous evidence. There exists a good deal of extraneous evidence to the effect that members of the public service feel themselves thwarted and frustrated, and feel uncertain in so far as their future position is concerned.

Mr. Macdonnell: Will the hon. member permit a question?

Mr. Chevrier: Yes.

Mr. Macdonnell: To show how unfair it is to adduce the names in this list, I point out that included in the list is Mr. Hector McKinnon. Mr. Hector McKinnon, as is well known, reached the end of his service, retired and had to be persuaded by the Minister of Finance to come back into the service to assist in the negotiations at Geneva. Second, we are asked to believe that a letter which was read in this house the other day from a public servant, giving a reasonable reason

for his going back to private practice, was not true. Does this make sense, all this kind of talk?

Mr. Chevrier: The hon. member has asked me a question, and I am going to answer his question. The first question had to do with this long list. I did not say that all those people were dismissed or fired.

Some hon. Members: Oh, oh.

Mr. Macdonnell: That was the innuendo.

Mr. Chevrier: Well, now, my hon. friend either was not in the house or he did not hear what I had to say. I have the notes of what I had to say right here. Here is what I said. That is why there has been such an exodus of public servants from Ottawa since 1957. I do not say that all of them left exclusively because of the way the government treated them, but listen to the list of those who have left. Then I read that list without any comment whatever.

Mr. Macdonnell: Including the name of Mr. Hector McKinnon, and in his case the hon. member had every opportunity of knowing that there was no reason for his inclusion in that list.

Mr. Chevrier: I do not believe I need to add anything, save and except to say that it was quite clear that Mr. Hector McKinnon, notwithstanding what the hon. gentleman has said, was maligned on more than one occasion.

Mr. Fleming (Eglinton): I rise on a point of order, Mr. Speaker, to say that is utterly untrue. No member of this house, either in this present parliament or any previous parliament, has ever spoken in more glowing terms of praise and admiration of Mr. Hector McKinnon than I have.

Mr. Pickersgill: The hon. gentleman has risen on a point of order, but I would say we have heard this same hon. gentleman malign Mr. McKinnon by accusing him of disregarding the law of Canada for ten years.

Mr. Fleming (Eglinton): There has never been a more false statement made in this house than that one.

Mr. Pickersgill: We listened to it over and over again.

Mr. Chevrier: I want to deal with the other point, having answered the first question asked by my hon. friend. I should like now to deal with the point he raised with regard to the letter of the under secretary of state. Hon. members know very well that when a public servant leaves the service of the government of Canada, either to go back to private practice—and particularly in order to go back to private practice—or to go into some other field, he is not going to write letters other than of the kind which was written by the under secretary of state; because he has to practise law in his community, and he will probably have to come back to Ottawa and deal with the government. What the under secretary of state did, I think, was the right thing to do under the circumstances, as many others whose names I have mentioned in this list did when they resigned from public office.

But I do know, and many of us on this side of the house do know, that public servants are not being treated in the manner in which they should be treated by this government. The greatest proof of this lies in the treatment of the directors and president of the Canadian National Railways.

Mr. Browne (St. John's West): Will the hon. member permit a question?

Mr. Chevrier: Yes.

Mr. Browne (St. John's West): Does the hon. member for Laurier suggest that the under secretary of state has been driven out of office?

Mr. Chevrier: The Solicitor General did not listen to what I had to say, otherwise he would not have asked that question; because it is not even pertinent to the issue.

Mr. Drysdale: Translated, that means you have not got an answer.

Mr. Chevrier: I say, sir, that there is a great change of mind on the part of those who sit on the other side of the house from the days when the former minister of public works used to rise in this house and repeatedly state his confidence in government officers and public servants, and the conduct of the government in connection with the president of Canadian National Railways and the directors. Surely, sir, before we pass this measure, before we vote on this measure if that need be, we are going to be told and we are entitled to know, in a free parliament, whether the president and directors of the Canadian National Railways are going to remain in their positions or who are going to replace them. We are entitled to know who these men are who are going to spend these hundreds of millions of dollars so we can determine for ourselves whether or not they are competent and efficient and possess the necessary business experience.

If we do not, then it is not parliament that is sovereign. If we do not there was no meaning whatever in the words of the Prime Minister in a former debate. If we do not, then it is one man who arrogates unto himself all the powers of parliament, and I hope that day has not yet arrived.

Mr. D. M. Fisher (Port Arthur): Mr. Speaker, I hope I can get through my remarks without points of order such as those that have been flying around here recently. The railways, air lines and shipping committee report has been tabled, and this gives us an opportunity to both use the evidence that was presented before that committee and to speak with more information with regard to this measure.

Let me say that we support the measure. We think it is a routine financial measure, and we support it. There are a considerable number of comments, however, I should like to make.

The report that was tabled yesterday took cognizance of a number of points that came up. First, there was a mild—at least it is my interpretation—slap on the wrist of the president for his attack in the committee on members of parliament. Second, there were some general remarks about the financial position of the Canadian National, and there was critical comment about the way in which Canadian National Railways got into trucking operations. There were some suggestions with regard to the United States operations of the C.N.R.; there was a paragraph on pensions and a suggestion how that particular problem should be handled, and there was a brief paragraph relating to the morale of the employees.

The position of the C.C.F. party with regard to the Canadian National Railways might be worth stating again, since as our party spokesman in the house on the C.N.R. I have read and heard the accusation in certain places that I have been out to chop down or destroy the Canadian National Railways. We support the Canadian National Railways as a public institution, and will go on supporting it. I have here G. R. Stevens' book "Canadian National Railways". In the introduction to this book there is a brief paragraph that I think covers the great value of the C.N.R. and all railways in Canada. It says:

> The economic value of a railway to the community is determined not by the railway's income account and balance sheet, but by the social dividends the community receives from the reduced cost of transportation. The primary dividend is the money saved by using rail transport rather than any other kind. In the middle of the last century the difference in cost was astounding, at least twenty times that of providing railway service. Even in these days of motor vehicles, this dividend is still a vital force in our economy; money that is saved for the community by the use of rail transport is at least three times the total expenses of the railways, including interest on capital. Not infrequently the income account and balance sheet of railways indicate something less than financial success; but they scarcely reveal the impact of railways on the economy of the country.

We know there is a great necessity for the Canadian National Railways. In the part of the country which I represent there is a tremendous amount of C.N.R. mileage. That mileage is not only an integral part of the whole economy of our region, but it is part of that bridge that links the west and the east together. The Canadian National Railways as a crown corporation of the 1960's is the kind of organization that we support. We only expect from that organization that it is run on the best possible basis in terms of both business efficiency and public service. When those two factors come into contradiction—that is, efficiency and public service—then we believe it is the responsibility of the government which owns the corporation to indicate just how we are going to deal with the problem.

One issue that always comes up in connection with the Canadian National Railways, and it has been brought to the fore by the *Financial Post* recently, is whether we are ready in Canada for an amalgamation or what is sometimes called a rationalization of the two major class 1 railways. Our party position in regard to this matter is that it is a subject that is so pertinent and relevant at the present time that I want to make it perfectly clear that if the matter is to be studied, we feel it should be studied with the emphasis on the Canadian National Railways taking over the railway lines of the Canadian Pacific Railway.

Mr. Speaker, I now want to talk in much greater detail about the appearance of the president of the Canadian National Railways before the committee, because as an individual member of parliament I was involved in a way that was in some ways unique so far as members of the committee were concerned. I should like to make one point in contradistinction to what has been said by the hon. member for Laurier. Mr. Gordon had his period, if one wants to call it that, in court before the shareholders, if one wants to call them that. Mr. Gordon is not in a similar position to Mr. Coyne in this regard at all. It would seem to me that with regard to the argument that public servants are frightened or scared at the present time, the hon. member for Laurier may be able to make that an issue in certain areas, but I believe that in the area of the president of the Canadian National Railways this does not apply.

I would go along with the hon. member to a degree, that we need to know whether the president of the Canadian National Railways is going to be reappointed. I think he knows our views on whether or not this should happen. But I feel, as an individual trying to judge the situation, that it is perhaps one of

the best things possible for the Canadian National Railways at the present time to keep Mr. Gordon in some kind of suspension, because I think it will result in a better job of management of the Canadian National Railways. I would not advocate it as a permanent feature.

The performance of the president of the Canadian National Railways before the committee was to quite an extent in marked contrast to his previous appearances. If I could make some kind of a simile or metaphor it would be that this time it was as though he was appearing at a cocktail party rather than in the locker room. He was much milder and much more informative than ever before. I think all hon. members who sat on this committee in other years will agree that in the past Mr. Gordon did not give the impression of having a team working with him. He dominated all the evidence; he gave almost all the evidence, and we had to search very far to find evidence from other people who supported him in his so-called management team.

This year we had many more people in the committee in support of the president of the Canadian National Railways. It was quite apparent that they were being encouraged to give more evidence, to fill in more background and so give the members of the committee much more information. They had this information at their fingertips for us. To me this was a victory in the sense that this year we got both a more informative presentation and a wider presentation from the president of the Canadian National Railways. It seems to me this change is all for the good, and I certainly had the impression that the members of the committee were impressed with the fact that we received more information.

I should like to deal with the fact that during the committee hearings we were all aware that Mr. Gordon's position had been attacked in this house. I suggested, and other members of the committee also suggested, that he be given a full opportunity to state his case. He did so, on a number of aspects of the work, and he spoke particularly in relation to charges of members of parliament relating to him. I wish to touch on a number of these, Mr. Speaker, because it seems to me they affect all members of the committee and all hon. members of the house.

One of the things Mr. Gordon said was that McCarthy-like tactics had been introduced. I should like to make this point, that McCarthy-like tactics usually relate to indicating that someone is a subversive. I received a letter yesterday from somebody by the name of Pat Walsh suggesting that I am a subversive because I sent letters to hon. members of the house advertising a nuclear radiation hazards meeting. This, it seems to me, is a McCarthy-like tactic.

Mr. Gordon felt he had been treated with McCarthy-like tactics. I do not know of any hon. member of this house who is critical of Mr. Gordon in the sense of thinking he is a subversive. I do not believe Mr. Gordon is a communist. I am certain he is not. I am certain he is not even a C.C.F.'er. I do not know what his politics are. I suspect them, but I do not think it has anything to do with the job he does. If Mr. Gordon is a Liberal, I do not think that is a factor which is at all relevant to the job he may do as president of the Canadian National Railways. It seems to me this was a most unfair, gratuitous way to come back at criticism, to suggest that people who criticize him were using McCarthy-like tactics. It seems to me his politics were never called into question at any time.

I now wish to deal with the matter of Mr. Gordon being called arrogant, haughty and dictatorial. I went to the trouble of reading what I had said about Mr. Gordon in the House of Commons. I have never at any time called him arrogant, dictatorial or haughty, as has been suggested. The strongest words I have ever used in this house about Mr. Gordon were that he was a man of brutal candour. But what I did suggest—and this seems to have caused a reaction on the part of Mr. Gordon—was that he should be fired. Perhaps this is a vicious criticism; but surely, Mr. Speaker, when you reach the stage that you think someone who has had 12 years to do a job is not doing it very well, there is nothing wrong in getting up and quite fairly saying that you think the man should be fired.

Apparently Mr. Gordon felt I was the central figure in the attacks upon him, because he came to the committee well prepared, I think, to take several rounds out of me. I want to comment upon a couple of these; because while I will not say that Mr. Gordon was untruthful in a couple of his charges, it does seem to me that he did not give all the factors in the situation. I should like to point out to hon. members—I hate to bring up this individual matter—that I was accused in this committee of being a lawbreaker, which is a fairly serious charge; of being a braggart, which is more of a political charge than a serious charge. I was accused of conniving at thievery, and of being a smearer. I should just like to analyse the charge of lawbreaking first, because to me this is typical of the inability of the president of the Canadian National Railways to react to criticism.

It all arose from a statement made by the president in the committee last year. The hon. member for Kenora-Rainy River brought up a very difficult situation which had developed in a community in his constituency, one which was causing a great deal of dislocation. We were given, I understood, an undertaking by Mr. Gordon that if such a situation threatened to develop again as a result of changes in the railway which were really going to dislocate a community, he would see that the community concerned was informed well ahead of time. Well, last year a group of men representing several railway communities came down here and showed that they had nine days' notice of the introduction of a form of service which would vitally and drastically affect the population and the well being of one community in my constituency and one community in the constituency of the hon. member for Nickel Belt (Mr. Godin). The hon. member for Nickel Belt and I talked the matter over with these men and asked them what could be done. They had been to the Minister of Transport. Their general chairman had been to see the management, and the management intended to go ahead with its plans.

Mr. Benidickson: You talked it over with me, too.

Mr. Fisher: No doubt. The men were in a great deal of distress over this, and they kept insisting that they just could not go through with this change in service which meant running through two divisions. They felt that from the point of view of safety it was unsound, and having regard to their own personal positions they did not have time to straighten out their affairs in these communities. They felt so strongly about this that I said "Well, what can you do? What can you do if you have got to accept this?" And they said "We just will not go to work". I said, "Well, you cannot pull a wildcat strike". The general chairman there said "If they pull a wildcat strike they will go to jail". At that time I noted these words very well. I said "If you feel so strongly about it you should be prepared to go to jail. After all, I do not think there is any greater test of your feelings about something than whether you are prepared to go to jail about it".

This, apparently, is the lawbreaking that I did. This is the advice which Mr. Gordon feels is lawbreaking. Well, what happened as a result of the fact that the men announced that they were going to pull themselves out of service was that the railway postponed for a short while putting its plan into operation and accepted the compromise which the men suggested. Here is the irony. Mr. Gordon accused me of costing the C.N.R. money because of my role in this matter. He accused me of lawbreaking. I was up in those communities last week in order to get all the particulars of the situation and talk it over with the men. They do not think I am a lawbreaker. They do not think I cost the C.N.R. any money. As a matter of fact they pointed out to me that right in the bulletin books of the divisional point at Capreol there was a letter from the management of the C.N.R. congratulating them on the wonderful way this service, as it had been introduced according to their compromise, was going. The letter said they were making better time and giving better service than other places on the Canadian National Railways system. Now, the management of the C.N.R. does not go to those lengths to compliment its employees if something is not working well, and in the light of this fact I think Mr. Gordon's charge that I had cost the railway a great deal of money and am a lawbreaker was nonsensical.

There is one other aspect of this which is much more important to me than to anyone else. Mr. Gordon accused me of conniving at thievery. I think all members are aware that they get communications from people in many diverse forms. During the committee hearings I received long distance telephone calls; visitors came to my office; I received several hundred letters. A great deal of information comes to us, and in almost every aspect of our work a great deal of this information comes to us in confidence. I had been presented by a person, who at one time had a connection with the trucking operations of the Canadian National Railways, with a statement regarding the performance of these operations in the year 1960. Because this document was given to me in confidence I had no intention of revealing the source, and I was not using the document in any other way except that I just kept asking the president of the C.N.R. whether it was not true that his truck lines lost money in 1960. I suggested an estimated figure.

Well, as you probably know, Mr. Speaker, he wanted to know where I was getting this information, and when I suggested that I had this paper here it wound up on the table. We had a little bit of a wrestling match over it, and that document became part of the record. Mr. Gordon identified the document as a document stolen from the files of the Canadian National Railways. I doubt very much whether it was a stolen document in any very real sense in relation to the way in which I got it. I still feel that I am privy in not revealing the name of the person who gave it to me. Anyway, the document was recognized as part of the record.

Now I should just like to suggest to hon. members that if one is going to be informed with regard to the many matters which arise, one must accept, with a certain critical approach, the various people who come to one and give information in confidence. If this led me to being in possession of what was said to be a stolen document, I have no support or flattery to put forward to the person who provided this to me, but I take strenuous exception to the suggestion that I either connived in obtaining a stolen document or, knowing that it was stolen, used it in any vicious or nasty way.

There is one other criticism which the president made. He said he did not feel that the head of a $3½ billion corporation should have to stand the kind of criticism that he received in the House of Commons from members of parliament. I asked him to make a statement in this particular regard because I felt he should have his day in court, as one says. He took off, and the committee has noted that he did and questioned his wisdom and propriety in doing so.

It seems to me, despite the talk the hon. member for Laurier gave about the treatment of civil servants and so on, that it is sometimes difficult for civil servants and public servants to recognize that we as members of parliament have a certain responsibility. Although I disagreed with the hon. member who succeeded the late secretary of state for external affairs in some of the remarks he made about Mr. Gordon, what was there wrong about his standing up here in his place, to which he has been elected, and giving his opinion in this respect? I see nothing wrong with it; and the charge that this has undermined the morale of the Canadian National Railways by calling the management into question is a substantial charge, but I wonder if we should accept it. Each of us, through our constituents and the public organizations which work in our constituencies, becomes aware of certain opinions, certain views; we come to certain conclusions about the work of government organizations. I cannot see anything wrong in this particular case with a responsible member getting up in the house and stating what he thinks about how a government organization is run, and expressing his opinions about the individuals who run it.

One of the unfortunate things in regard to the appearance of Mr. Gordon before the committee—this has nothing to do with him personally—occurred because of the rather juvenile attitude taken by many members of the press. I was telephoned on at least five occasions one day by a newspaperman who was attempting to determine my height, chest measurement and so on apparently in an effort to write a story comparing me in size with Mr. Gordon, almost as though there was to be some kind of a Patterson-Johannson bout.

Mr. Drysdale: A bout of overweights, not heavyweights.

Mr. Fisher: The hon. member may be right, that this was a bout of overweights, but I suggest it is this kind of wrong association in respect to committee meetings which causes the kind of criticism which we certainly do not deserve.

I should like to make one final point in regard to the personal charges against the president of the C.N.R. by myself. I reiterate that all my questions directed to the president of the C.N.R. were direct questions and not criticisms. The only criticism I made in the house was that he should be fired and that he possessed a certain brutal candour. If the president of the Canadian National Railways cannot stand up to that type of criticism that is all the more reason why he should go.

Mr. Speaker, I should like at this point to say something about what I think are Mr. Gordon's failures as president of the Canadian National Railways. The irony of the situation is that we have a banker as head of the railway. He is a man who was going to bring to the railroad a great understanding of financial matters, such as bonds, capital, and so on. This is a man who is a great financier with great experience, particularly during the last war; and who did, as we have been told, a magnificent job in respect to one aspect of government operations. He has been head of the railway for 12 years and now comes up with a $900 million bombshell. It apparently has taken him almost 12 years to discover that the financial picture of this railway does not look good because there should be a shift in bookkeeping entries of $900 million from the debt structure to the government of Canada. He suggests that once that has been accomplished he will be able to present a very good financial picture.

As the hon. member for Acadia said, I am a simple boy from the bush, and this does not quite make sense to me. He was referring to this great banker spending 12 years with the railway and then coming up with $900 million bookkeeping shift to put the financial picture of the Canadian National Railways in a wonderful light. That is the capital revision that the Minister of Finance is going to have to consider.

The point I should like to make to the hon. member for Laurier is that the reason the committee said in its recommendations that

in the light of this suggestion the government should examine the proposition with great care is that we have already had two large capital revisions in the Canadian National Railways. We have had a royal commission which sat for a year and a half, with evidence piled quite high, at which the C.N.R. was well represented by a capable solicitor, and on some occasions more than one; yet during all that time there was not one word said by any representative of the Canadian National Railways regarding this $900 million shift. As a matter of fact we have not as yet received a complete report from that commission, although we have the first volume. It seems to me that this royal commission had the responsibility of studying the whole railway transportation picture, yet Mr. Gordon did not find it necessary to mention this $700 million to $1,200 million difficulty at any time during its sittings.

Mr. Gordon, the man who, as I have said, was a banker with some experience and who has now been in charge of the railway for 12 years, at this late date has decided that the explanation for the Canadian National Railways deficit lies in a bookkeeping shift. I suggest there has been irresponsibility here in this regard, because the royal commission has suggested that subsidies be paid in the amount of $100 million per year. What is the relationship between those subsidies and the fact that if Mr. Gordon is successful in his suggestion something between $40 million and $50 million of the C.N.R. deficit will disappear? Surely in that event there will be created a completely different picture. Perhaps if we allow this bookkeeping change we will not need to adopt the royal commission's recommendations as to subsidies. I do not know the answer, but suggest that because Mr. Gordon has only at this stage come to this conclusion, this is a failure on his part.

One other point I should like to touch upon has regard to the tremendous management reorganization of the Canadian National Railways. By this change completely new areas and regions will be created. The results of this change may be excellent and responsive to the needs, but it is coming only now after an 11 or 12 year occupancy of the president's position by Mr. Gordon. This change is being made, as the president himself admitted, without adequate preparation and information, particularly in regard to employees, with the result that morale has been demoralized. Employees have not been adequately informed or prepared in respect to this proposed change. Mr. Gordon himself seems to oscillate between the position of not informing the employees, because they just get their backs up and get excited, and working out better public relations.

Mr. Gordon has already begun to use his public relations resources. Not long ago on his return to Montreal, according to the press, he was greeted by a crowd of 800 employees. Hon. members will remember the picture of him coming through the door being greeted by this crowd of 800 employees. I received a letter from an individual who was in that crowd, informing me that he had received notice from his supervisor to be in attendance at this spontaneous welcome. As a consequence of this information I asked that individual how big the crowd was, and received information that it was not more than about 300. I do not know which newspaper reporter made the estimate but I am surprised, because I thought newspaper men were quite able to make accurate estimates.

Mr. Drysdale: Maybe a train had just come in.

Mr. Fisher: I asked that individual how many employees attended this welcome, how many were employed in this magnificent headquarters of the C.N.R., and how they were all crowded into the lobby. I was informed that not more than one sixth of the employees of that building were present at this welcoming demonstration. It is obvious that the public relations program is beginning to work again, and I suggest that similar operations be commenced in my part of the country where the employees are in fear of losing their jobs and have very low morale.

Mr. Speaker: Perhaps this would be a convenient place to break.

At one o'clock the house took recess.

AFTER RECESS

The house resumed at 2.30 p.m.

Mr. Fisher: Mr. Speaker, it is unfortunate that I was so discursive earlier that I did not have time to deal with a number of points. I should have liked to touch on the glowing messages that Mr. Gordon read into the committee proceedings from such men as Mr. Smith, the head of the Canadian brotherhood of railway and general transport workers. The irony is that if one compares this sycophancy with the old magazine produced by that gentleman's union and their strong editorial criticism of Mr. Gordon, coming at the very same time, plus their very complimentary remarks about the views of the member for Port Arthur on the railway situation, one sees that perhaps that union is not as solid as it may appear to be. It is a pity

that we could not go into what was revealed about the Canadian National Railways trucking operations, because here you have a situation where one year after going into the business of these trucking operations you seem to have a couple of them that are in very bad financial straits.

As far as we are concerned, Mr. Speaker, there is going to be an end of calling for Mr. Gordon's resignation. We feel it is apparent that the government is not going to get rid of him at this time because of other circumstances that are occurring. This is the government's decision and it is the government's right, but we shall follow with care how Mr. Gordon performs in the next year. I personally think that this king of all the Canadian cabbages will be much less wrapped up in himself as the result of what has taken place. I think out of it will come a better deal from the management for the employees and those many good, fine people who work on the Canadian National Railways.

Mr. Herridge: Will the hon. member permit a question? I was very interested in his reference in the earlier portions of his speech to the welcome home reception staged by employees of the Canadian National Railways for Mr. Gordon. Will the hon. member explain whether he thinks it reflects the attitude of the railway unions toward Mr. Gordon?

Mr. Walker: We cannot hear this Mr. Gallagher and Mr. Sheen dialogue.

Mr. Speaker: Would the hon. minister like to have it repeated?

Mr. Churchill: No; I heard it.

Mr. Walker: No.

Mr. Pickersgill: I wonder whether I could ask the hon. member another question which he could answer at the same time. Is it the old party asking a question of the New party? Or is it the New party asking a question of the old party?

Mr. Fisher: Let us put it this way in answer to the question. This is the Hazen Argue wing of the New party working in concert. In answer to the hon. member's question about the reception, I should like to say I am not in a position really to comment on whether the fact that 800 people allegedly arrived in the lobby so fortuitously at the same time as the cameraman and the president is an indication of complete union support for Mr. Gordon. All I can tell the hon. member is that I was in two railway divisional points last week; while the employees did not sing "For He's A Jolly Good Fellow", the reception was very warm and friendly.

Mr. E. J. Broome (Vancouver South): Mr. Speaker, I should like to take a few minutes to put a few comments on the record in regard to the operation of the United States lines of the Canadian National Railways. The total deficit of all United States lines in 1960, after other income is added but before fixed charges, was $6,856,583, as reported at pages 182 and 183 of the minutes of proceedings and evidence of the sessional committee. On the same basis there was a deficit of $6,473,732 for the entire C.N.R. system, including the United States lines. Therefore, if the United States operations had been excluded from the C.N.R. statement, the C.N.R. would have shown a profit before fixed charges.

The deficit on the U.S. lines after fixed charges was approximately $11 million, as against a total system deficit of $67 million. These are rather fantastic figures when you take them in the context in which I am placing them, because the total investment in United States lines is $186 million against a total system investment of approximately $3,767 million. The United States investment is therefore 5 per cent, but it contributed over 100 per cent of the deficit before fixed charges and 16 per cent of the deficit after fixed charges.

The contention of the railroad is that onward freight received from these United States lines is so valuable and so lucrative to the C.N.R. that it not only wipes out this deficit but provides a profit in the over-all C.N.R. operations. This argument is made on the basis, I assume, that if the C.N.R. did not own these lines it would not have any chance for that freight. Since they have the only tie-in with the United States lines and since they should be somewhat equivalent to the C.P.R. in the efficiency with which they solicit freight and with which they service their customers, I cannot see the validity of that statement.

Furthermore, in the evidence given before the committee one of the chief complaints of the president of the C.N.R. with regard to the difficulty of operating the C.N.R. system in a profitable manner was the fact that the system is a conglomeration of bankrupt railroads and was not built as a single economic entity in the same way as the C.P.R. and that because it is a conglomeration of half a dozen railroads it did not really make economic good sense in many respects.

I suggest, Mr. Speaker, that these pseudopods stretching down into the United States, these United States lines owned by the C.N.R., are part of the polyglot system and that there has been no effort made by management really to streamline this system in the way of getting rid of these particular lines to which I have referred. It seems to me that

it would have been good wisdom to have tried to sell those lines and if they could not be sold then a study should be made of their abandonment and the recapture of whatever can be recaptured from the sale of equipment and real estate because the figures have shown that if we actually gave these lines away the Canadian taxpayer would be in a better position inasmuch as these lines are to all intents and purposes foreign companies that do not contribute anything to the Canadian economy except by way of the onward movement of freight about which the president talks. We are asking and the management have asked the Canadian taxpayer to subsidize to the extent of many millions of dollars a foreign operation. I would say that the management must be prepared to prove what they say. They were asked to give proof and they did not do so. Supposedly there is a report of 150 pages covering a study of this problem, and the key figure in that study must be how much revenue the C.N.R. in Canada derives from the operation of the United States lines. We could not get that figure.

I say that the management should take a good look at the report of the sessional committee and that they should be prepared next time to be able to answer that committee's questions with regard to management. I do not apologize in the least for what somebody criticized as interference with the function of management because I think this loss on United States lines was so glaring and so obvious that it should have been studied a long time ago and the answers should have been clear cut and equally obvious to the committee when the committee members asked these questions.

I do not wish to take any further time except to comment with regard to Trans-Canada Air Lines. In no place have I noticed the fact highlighted that $6.8 million in the surplus account disappeared down the drain because of the rush the air line was in to convert to an all-turbine fleet. We have the first all-turbine operation of any major air line in the world and we have to pay a price to be in that position. That price is the elimination of $6.8 million of a surplus and a deficit of $2 million. This is the real story behind the deficit of T.C.A. Very high depreciation charges have had to be taken. There was the purchase of two Super Constellations for approximately $5 million with a life of seven years but a use under the plan to convert to an all-turbine fleet of only three years. These are the things that are behind the statements and which result in the end in a red figure.

[Mr. Broome.]

Mr. W. M. Benidickson (Kenora-Rainy River): Mr. Speaker, first of all, I wish to be fair to the Minister of Finance. When we were discussing what was involved in the measure at the resolution stage we had a little controversy about the wording of the resolution. I wish to say to my colleagues in the house that I was wrong, that the changes in wording of the resolution were at the end of the resolution and not at the beginning.

The point is that this year we have come to the time when we have to take into account some of the decisions made by parliament a long time ago. I refer to the Canadian National Railways Capital Revision Act of 1952. In sections 4 and 6 there were intimations that after a ten-year period parliament would be asked to review the capital set-up of the C.N.R. I think those features account for the change in the resolution which I criticized the other day.

Hon. members will recognize that this very important measure has been brought before us unduly late in the session. I believe that the resolution only appeared on the order paper on July 6. When we were at the resolution stage the other day I said that I had not been a member of the committee although I had read the relevant portions of the committee's proceedings. I said that the C.N.R. was a key industry in Canada and that, despite what the Minister of Finance might have said in his budget speech, I continued to be alarmed about the C.N.R. because it had not been estimated that in 1961 its revenues would even increase at the rate of 3 per cent. Those of us who are called upon every year to examine this legislation are obliged to look forward to what was forecast by the president of the railway, a deficit very little less than last year, a deficit of $64 million compared with a deficit of $67 million last year.

Last year at this stage of the debate in the House of Commons I said that the Minister of Finance was unrealistic. The last word that he gave us, up to the presentation of this kind of bill, was that the deficit of Canadian National Railways would be between $24 million and $25 million. I said this was wholly unrealistic, having regard to the experience that any one of us sitting here could have observed in the published statements relating to Canadian National Railways and if we were to use as a yardstick the earnings up to that time of Canadian Pacific Railways, I said then, having regard to the earnings of Canadian National, that the deficit would prove to be about three times $24 million. I may have exaggerated a little, but the end result was that the net earnings of Canadian National Railways in 1960 resulted in a deficit of $67 million. I was not too far out a year

ago when I said that, having looked at the first four months of operating revenues and expenses of the railroad.

Yesterday the hon. member for Port Arthur referred to something he called a bombshell, and I think that word is worth repeating. I was not a member of the committee on railways, air lines and shipping, government owned, this year. In that committee, as the hon. member for Port Arthur has stated, the president of Canadian National Railways indicated that there might be another write-off of the borrowings of the Canadian National to the extent of perhaps $700 million or $900 million. This follows the very important capital revision of this national asset which was made in 1951, and the legislation introduced in 1952. I wonder if the Minister of Finance has advice to give to his colleagues in the House of Commons on this point, as we again have a bill before us to guarantee to this crown corporation a very substantial debt that the corporation might incur in connection with further capital expenditures.

I, of course, have complained, as has the hon. member for Laurier, that this legislation which is an annual item has come to us late in the session, later than I can ever remember as a member of parliament. Because of the lateness we are entitled to expect from the minister, and from the Minister of Transport an up to date report as to the net earnings of this important crown corporation for the first half of 1961. I should like to know whether they are better or worse than the earnings for 1960. When the committee was assembled, we were told the deficit would be $3 million or $4 million less than in 1960. However, I believe that when we are dealing with a bill of this kind we should be told whether or not the earnings for the first six months of this year are better or worse than those of 1960.

I said last year that the Minister of Finance had completely miscalculated or ignored the Canadian National when he told us in parliament that he would have a surplus of $12 million. His calculation at that time was based on a Canadian National deficit of $24 million. Hon. members can see how wrong he was, because the deficit in 1960 proved to be $67 million. I am following in this debate the representative of a neighbouring constituency of mine, the hon. member for Port Arthur, who has taken a great interest in the affairs of Canadian National, just as I have in the past. He is not in his seat, but is apparently hearing what I am saying. I was not a member of the committee on railways, air lines and shipping, government owned, this year, but I was a member of that committee last year for the reasons to which the hon. member for Port Arthur referred, namely the introduction of lay-offs by the Canadian National which were being inaugurated in my constituency and in particular in the town of Sioux Lookout.

I wish to know where the hon. member for Port Arthur stands in connection with some of these matters because they refer to the requirement for capital murder under the bill before us. When I was a member of the committee last year I asked the committee to hear, not the Sioux Lookout representatives of labour unions and organizations, but regional representations from western, eastern and other areas. This can be confirmed by looking at pages 19, 20 and 22 of the report of the hearings of the committee last year. As I have said, I was not a member of the committee this year, but apparently the hon. member for Port Arthur wished to hear union representations in connection with turnaround rights and pension rights. He wanted these people to be heard by our House of Commons committee. Last year, as is indicated by reference to page 19 of the committee report, he voted against the motion that I made asking that unions be heard with this matter in mind.

A great many suggestions have been made with regard to improving the efficiency of the Canadian National Railways. There was a suggestion from the government that we should have another write-off of capital obligations. According to the evidence of the president of the C.N.R. before the committee, this might involve $700 million or $900 million. At a rough guess, with tight money this might involve an annual income responsibility of $40 million. Therefore when the committee was asked to consider a deficit of $64 million for 1961, in the future they might be able to write off $40 million of debt because the capital obligation had been transferred from the crown corporation to the Minister of Finance. I ask the Minister of Finance to speak about this. There was a large write-off in 1951. Is there in contemplation another write-off of this volume?

I have here a sessional paper which was produced in the House of Commons when the present Minister of Finance sat on this side of the house. It was moved by Senator Pouliot, the then member for Temiscouata. There are many questions on this sessional paper but I propose to read only one or two. Question No. 1 reads as follows:

> Did the cancellation of capital stocks and certain indebtedness of the Canadian National railway system to His Majesty, in virtue of chapter 22 of 1 George VI (1937), amount to more than $1,200,000,000, and what was the exact amount of that cancellation?

The answer provided at that time was that indeed it did; it amounted to a reduction of

$900 million. The hon. member for Port Arthur has referred to a possible further reduction of obligation and of debt to the extent of somewhere between $700 million and $900 million. If one refers to the minister's remarks of July 6 one finds that there is apparently crossing his mind the idea of doing this all over again. We were persuaded that if we introduced new capital into the C.N.R., which over a period of perhaps ten years amounted to an increase in capital of approximately $1 billion, it would result in efficiency, earning power, and so on of the railways that would produce not a deficit but a surplus.

What is the answer to this question? Does the Minister of Finance agree with the hon. member for Port Arthur that perhaps, as was suggested by the Right Hon. R. B. Bennett years ago, we should have amalgamation of these two railways? Certainly it was clearly the view of the hon. member for Port Arthur when he said on February 27, 1961, as reported at page 2479 of *Hansard*:

> —the whole railway operation in Canada should be consolidated under a government corporation.

What is that going to do with respect to employment? Are we going to eliminate competition between railways in this country? Is that what the hon. member for Port Arthur had in mind when he said that what we want is consolidation of the two railways of this country under a government corporation?

I say that is tantamount to accepting what was turned down by the electorate in 1935 when the late Right Hon. R. B. Bennett proposed the same thing and was voted out. When we read the minister's remarks in introducing the resolution we have what I call an apology, a procrastination, a deferment that is typical of this administration. The minister points out that under the decisions of parliament in 1951 or 1952 we decided there would be deferment of certain debt obligations of the Canadian National Railways, but parliament said that they would start to bear interest after ten years. Those decisions like the proverbial chickens have come home to roost this year.

What the minister is proposing in this bill is that he should have another year to procrastinate and not make a decision. I say that must be considered before we approve the bill before us. This means another year of procrastination. I refer to section 3 of the Canadian National Railways Refunding Act of 1955. This refers to the matter the minister mentioned in his resolution speech with respect to the $200 million opportunity of the railway for freedom in this field.

In addition I refer to the $100 million item to which the minister referred in his speech on July 6. There again is an extension for one year of freedom from any obligation on the part of the Canadian National Railways to pay interest on the $100 million item. This is typical of this government. They are just procrastinating and deferring, until after an election, decisions that I suggest have to be made now.

I ask the minister, this government and all supporters of this government whether or not they have looked or are continuing to look at the balance sheets of these two competing national railways, C.P.R. and C.N.R. I pointed out last year that the capital expenditure asked by the competitor to our national railroad was $83 million, including $25 million for their air arm, which would bring down that amount considerably. I asked how the cabinet, which must approve these things, compared that with the requirement for which we were asked, which I think on a comparable basis, including T.C.A., was $197 million. Are we getting results from decisions of this kind which have to be approved by cabinet? I know that this crown company has certain opportunities. I also know the minister has said in this house that any crown company must be treated in the same way as any other corporation. On that basis, is this capital being generated and provided under intelligent and careful supervision by the cabinet of this country? This information would be interesting to all members of this House of Commons and of particular interest to those who support this government.

We hear that within a year there may be a possibility that the obligation to subscribe for preferred stock of the Canadian National Railways based on the act of 1951 and based on the company's annual earnings may be discontinued. I hope the minister will make it clear what kind of careful study has been made with respect to this. The statutes are clear. It is now ten years since the statute was enacted in parliament, and two or three at least of these chickens have come home to roost. The minister is taking an attitude which, I say, is typical of this government. He and his colleagues are deferring a decision. They have nothing to tell us, except that in the last three or four clauses of this bill they ask for another year in which to make up their minds.

Mr. H. W. Herridge (Kootenay West): I just wish to make a few brief observations in view of some remarks made by the hon. member for Kenora-Rainy River and in fairness to the hon. member for Port Arthur.

The hon. member for Kenora-Rainy River charged my hon. friend for Port Arthur with inconsistency during the hearings of the committee on railways, air lines and shipping last year inasmuch as he did not support

the proposal that certain representatives of the employees of the railway should appear before the committee. I wish to draw the attention of the house to the fact that the request of the hon. member for Kenora-Rainy River that certain employees from Sioux Lookout—

Mr. Benidickson: I referred to regional representations.

Mr. Herridge: —and other points, was not, as I am informed by my hon. friend from Port Arthur, a very practical suggestion at that time because it was not possible during the committee's consideration of the report of the Canadian National Railways, in the time allowed, for all those employees from the various communities concerned to arrive and to be heard and to have their proposals given consideration.

Mr. Benidickson: They were sitting in the committee room at the time.

Mr. Fisher: Just those from Sioux Lookout.

Mr. Benidickson: No. Regional and national.

Mr. Herridge: I was not a member of the committee but I understand that this year the committee gave consideration to pensions and other benefits and that it was strictly within the terms of reference for these employees to be heard. The hon. member for Port Arthur was very anxious that they should have this opportunity.

In conclusion I may say that knowing the great interest which my hon. friend has taken in the welfare of the employees of the Canadian National Railways and other railways, as well as in the welfare of employees in industry generally, one could not fairly accuse him of not taking any course of action which would in his opinion be to the greatest advantage of those employees concerned.

(Translation):

Mr. J. P. Deschatelets (Maisonneuve-Rosemont): Mr. Speaker, the purpose of this bill is to enable the C.N.R. to meet certain expenditures. As it happened on several previous occasions this bill, and it is an important bill, is introduced in the dying days of the session.

The hon. member for Laurier (Mr. Chevrier) rightly observed this morning that never did a committee sit so late in the session.

The government likes to boast about the work done in the committees. It certainly has no reason to rejoice in the fact that the report of this committee was tabled so late in the session, to the inconvenience of everybody.

The hon. member for Laurier mentioned that a bill to increase from seven to 12 the directors of the C.N.R. was passed by both houses.

I feel it is quite normal to inquire about the names of those who will be appointed to the C.N.R. board of directors.

On that point, I find the following on page 7644 of *Hansard* for July 6:

(Text):

There are many other things I should like to inject into the debate, but I should like to conclude on the note with which I began. It is that before we are asked to vote these huge sums of money the house should be taken into the confidence of the government and parliament should be told who are going to be the directors of the Canadian National Railways and, by inference, some of the directors of Trans-Canada Air Lines also. Until we are given that information the house, in all decency, should not be asked to adopt this resolution.

(Translation):

I strongly support the remarks the hon. member for Laurier made in that regard. I find it most extraordinary, indeed, that the minister should not have given us any information yet concerning those appointments.

I should like to touch upon another point connected with this bill. Not too long ago, the Prime Minister stated that at the next election—which, we hope, is not too far off—the voters will be faced with this alternative: private enterprise versus socialism.

Now, we have further proof of the government's lack of sincerity, especially as regards what it claims to be its concept of and regard for private enterprise.

Indeed, all hon. members received yesterday a telegram protesting against the C.N.R.'s interference with private enterprise, namely with the trucking industry.

To avoid any mistake I should like to quote in full the telegram the Minister of Transport (Mr. Balcer) received.

Mr. Ricard: What about the hon. member for Matapedia-Matane (Mr. Belzile)?

Mr. Deschatelets: No, no, I am speaking of the telegram which the Minister of Transport received here. I will have something to say about the hon. member for Matapedia-Matane later on. As it appears on page 7726 of *Hansard* of July 7, the telegram reads as follows:

Are informed C.N.R. is asking Quebec provincial transport board to acquire trucking companies stop We protest against railway interference in field of private enterprise stop On behalf of our members urgently request your intervention in favour of private enterprise against state monopoly.

That was part of a question asked by the hon. member for Matapedia-Matane. This is what the Minister of Transport replied:

Canadian National Railways

Mr. Speaker, that is a decision for the authorities of the C.N.R. However, I should like to assure my hon. friend that I will pass on to the C.N.R. officials the representations he has made in that connection.

The hon. member for St. Ann (Mr. Loiselle) asked the following supplementary question:

Mr. Speaker, could the minister take that opportunity to impress upon the C.N.R. that it should not enter a field which belongs to private enterprise, especially the trucking industry?

This is how the Minister of Transport replied:

The final decision as to whether or not the C.N.R. will be allowed to purchase or operate a trucking business in the province of Quebec, rests with the Quebec transport board.

The hon. member for Hull (Mr. Caron) rose then to ask another supplementary question:

Mr. Speaker, I should like to ask a supplementary question.

If the C.N.R. takes over that trucking company, would it be possible to request the management not to indulge in a price war with private enterprise?

The Minister of Transport replied:

Mr. Speaker, my information is that the C.N.R. does not engage in a price war with private enterprise but rather in a fair competition with other carriers.

Well, if an election were called and our hon. friends, especially the Prime Minister, had the gall to choose as their electoral platform "private enterprise versus socialism", especially after the position taken by the Minister of Transport, I hope the hon. member for Matapedia-Matane would support us when we hold this government responsible for the competition private enterprise has to put up with in the province of Quebec and which is made possible by the subsidies or moneys voted in this parliament.

Mr. Speaker, did the Minister of Transport come to the defence of private enterprise yesterday? He dodged the issue. He preferred defending the trucking business in the province of Quebec.

I wanted to bring out this fact which, I feel, is most important: the government claims to be the promoter of private enterprise; yet, at the first opportunity, it abandons private enterprise, leaves it defenceless and the hon. member cannot even rise and blame the Minister of Transport and the government for having let such a fine opportunity go by without helping private enterprise in the province of Quebec.

Mr. Speaker, I should now like to say a few words about the dismissal by the C.N.R.

[Mr. Deschatelets.]

of the people who worked in the international aviation building.

It will be recalled that the C.N.R. sold its property on McGill street in Montreal, dismissed most of its cleaning and maintenance staff and awarded a contract to a private company which immediately employed other people, at better conditions, to look after the maintenance of the new building.

I have blamed the C.N.R. for that action. I have also blamed the minister for not having taken his responsibilities, for failing to insist that the C.N.R. company keep at its service those old employees who have given it the best years of their lives.

I was most disappointed with the results we obtained from the C.N.R. and I should like to say here that the Minister of Transport has not given us the support we expected from him in the matter.

At all events, like in many other instances where the government failed to bring help to those requiring it, all that will be settled in due time, and I hope it will be soon.

Mr. Speaker, I should like to touch on a rather delicate subject. It has to do with the French speaking citizens' representation on the staff of the C.N.R. and especially among the vice presidents, of which I think there are 17. I must admit that this situation has been the same for 22 or 23 years. But a time will come when a definite stand will have to be taken in order that the French speaking Canadians may be adequately represented on the board of directors and more particularly among the vice presidents of the C.N.R.

I have here an article published in *La Presse* on May 25, 1961, which brings out this problem. It says:

—why is it that a French Canadian was never appointed among the numerous vice presidents of that crown corporation, for the maintenance of which French Canadian taxpayers, as well as the others, through the taxes they pay Ottawa, have often made good substantial deficits.

And the article goes on to say:

Are we going to be led to believe that, in the whole history of the C.N.R. since 1923, there has never been an engineer or other expert with the required qualifications to become one of the numerous vice presidents of that government service?

Mr. Speaker, the answer we get from the C.N.R. authorities on this matter is always the same. It is a case of promotions. If ever

French speaking citizens are appointed to higher positions in the C.N.R., it is quite obvious none of them will ever get any such promotion.

A superb opportunity was lost recently. It was a case of appointing a vice president, following the death of Mr. W. H. Kyle. I understand there were at the time three excellent candidates: Mr. Eugene Gauthier, director of the Quebec division, Mr. Omer Boivin, of Montreal, vice president Kyle's assistant, and Mr. J. A. McDonald, general manager of the St. Lawrence region. Mr. McDonald is said to have been selected. I do not want to play politics with that matter—

Mr. Ricard: Oh, no.

Mr. Deschatelets: —as I said a moment ago. But, after all there is one thing that must be taken into consideration. In 1957-58, our hon. friends were telling us: "We shall do better than you did". That is what they said—

Mr. Ricard: And that was not done?

Mr. Deschatelets: —"We shall do better than you did."—

An hon. Member: Today, there are more unemployed.

Mr. Deschatelets: We are now in 1961, and the situation is not the same, it is indeed worse than it was before—

Mr. Ricard: You were in office for 20 years and you did nothing.

Mr. Deschatelets: —I am talking about the Canadian National Railways. I said at the beginning of my remarks that I did not want to talk politics or to criticize anyone in particular, but I say this: The day will come when definite steps will have to be taken by the authorities—

An hon. Member: Sit down, you have nothing to say.

Mr. Deschatelets: —so that we obtain in the higher positions of the C.N.R. the representation to which we are entitled. That is what I had to say—

Mr. Ricard: That is what the Conservatives are doing.

Mr. Bourque: The hon. member for St. Hyacinthe has no importance at all.

Mr. Deschatelets: The hon. member for Outremont (Mr. Bourque) spoke ahead of me; I was to say about the same thing. In any case, I have put on the record my views on that matter.

Mr. Speaker, we should be fair about this and recognize that C.N.R. vice presidents are appointed by the C.N.R. board of directors.

I must confess that it is not possible to criticize directly any former minister, no more than it is to criticize the present minister, for not having done what is in fact a responsibility of the C.N.R. management, the matter is entirely different as far as the directors are concerned.

Appointments to those positions are purely political matters. I am now referring to the vice presidents. I am of the opinion that something should be done as soon as possible so that our people may have a fair representation on the board of directors of the Canadian National Railway, and I put that responsibility mainly on the shoulders of those who told us three or four years ago: "We shall do better than you"—

Mr. Valade: Which we actually did.

Mr. Deschatelets: Mr. Speaker, that was all I wanted to say at this stage.

Mr. Denis: For example, the forestry department.

Mr. Valade: Mr. Speaker, would the hon. member permit a question?

Mr. Deschatelets: Certainly.

Mr. Valade: A moment ago, the hon. member suggested that the C.N.R. was competing with the private trucking industry. Does he know that the president of the C.N.R., Mr. Gordon, is the one responsible for this policy, and that Mr. Gordon was nominated under a Liberal administration?

Mr. Deschatelets: Mr. Speaker, it is obvious that the decision came from the management of the C.N.R. But, on the other hand, there was the stand taken by the Prime Minister (Mr. Diefenbaker) and also by the Minister of Finance (Mr. Fleming), who stated that the present government is the defender of private enterprise. My comparison, therefore, is between these two absolutely contradictory stands, and my conclusion is that if the present government cannot solve this problem, it has not the right to proclaim itself the defender of private enterprise. This is what matters really.

(Text):

Mr. L. D. Crestohl (Cartier): Mr. Speaker, I wish to make a few observations on this legislation and deal with some of the basic contradictions that appear in it. Not only are there contradictions but to some extent there

are confusions. It is possible that these confusions appear in other pieces of legislation. No doubt when the minister replies he might be able to deal with some of these contradictions that I shall point out.

In clause 3 of the bill—I am not dealing with the clauses directly but only with the general spirit of the contradictions—and also in clause 9 there are some very glaring contradictions. In clause 3 there is a statement which fixes the limit of the funds which are made available to the C.N.R. for the purposes of this legislation. Peculiarly enough, subclause 6 reads:

> No amount shall be spent for a purpose mentioned in this section in excess of the amount authorized by this section in respect of that purpose,—

And so on.

We see that this subclause fixes the limit which is also fixed by the explanatory notes opposite page 3. In the explanatory notes there appears a statement listing the amount requested and the reasons for the request. Yet we find in clause 9 of the bill that the lid seems to be lifted off the limitations that are fixed in clause 3. I should like to read clause 9 to reinforce my argument.

Mr. Fleming (Eglinton): Is this not a matter for the committee stage of the bill? There will be ample opportunity in committee to discuss the clauses of the bill. It is not a matter for second reading.

Mr. Crestohl: May I point out that if I wait until we get to clause 9 we shall then have passed clause 3?

Mr. Fleming (Eglinton): Yes, but on clause 3—

Mr. Crestohl: I will not be able to read clause 9 when we are discussing clause 3.

Mr. Speaker: If there is difficulty in reconciling the clauses in respect of the amount that is authorized to be spent, guaranteed or lent, I think the hon. member would be able to deal with it more effectively at the committee stage. The same thought occurred to me, but I allowed the hon. member to proceed because I thought he might have a general principle that is applicable to the whole bill. If there is a problem of inconsistency in the clauses which does not affect the principle, the principle being support of the C.N.R. by voting money, then I think he should leave it until the committee stage and deal with it there.

Mr. Crestohl: I was under the impression, Mr. Speaker, that in dealing with the thing in its ensemble, we should find out whether there are basically any inconsistencies or contradictions which interfere with the principle that the bill intends to establish. The government seeks approval of the right to vote this money, but we are entitled to point out contradictions; that is why I am—

Mr. Speaker: I appreciate the hon. member's difficulty. The contradictions are verbal and do not have to do with the principle. I think the hon. member will find a better opportunity to raise these matters in the committee, particularly as he seems to have to quote the precise clauses to support his argument. I think the point is well taken. Unless the hon. member has other matters to bring up he should leave this until we reach the committee stage.

Mr. Crestohl: All right. I shall certainly bow to your ruling, Mr. Speaker, and reserve this for the committee stage.

Another point which strikes me is the reference in the measure to Trans-Canada Air Lines. I point out that nowhere in the long title of this bill is Trans-Canada Air Lines referred to or mentioned, nor is it referred to in the interpretation clause of the bill.

Mr. Speakman: It says "Canadian National Railways".

Mr. Crestohl: But it does not say this includes Trans-Canada Air Lines.

Mr. Speakman: It is not included.

Mr. Crestohl: Trans-Canada Air Lines are referred to in the bill. Why is there not a separate measure to finance Trans-Canada Air Lines in the same way as the C.N.R. is financed by a bill which comes before the house?

Mr. Drysdale: It is a wholly owned subsidiary of the C.N.R.

Mr. Crestohl: I wonder why T.C.A. is brought into this piece of legislation by the back door method and not directly. For example, in the statement filed permission is asked for to make investment in affiliated companies, Trans-Canada Air Lines and others. I presume that "others" means other affiliated companies. Why are they not directly referred to? I think the house is entitled to know—probably the minister will inform us—exactly what other affiliated companies are referred to? Why should they not be set out in the measure?

I should also like to refer to the fact that advances to Trans-Canada Air Lines are to be without any limit or ceiling whatsoever. I would have to refer to the section of the act to deal with that more fully, but I would point out that we are being asked to vote on a measure authorizing the advancing of funds to Trans-Canada Air Lines with no limit whatsoever whereas in the case of the C.N.R.

the advances are limited. As someone has very properly said, parliament is being asked to grant authority for the issuing of a blank cheque. We are authorizing the payment of amounts without any fixed limit to what is referred to as an affiliated company. We fix a ceiling in the case of loans to the C.N.R. but we provide no ceiling with respect to one of its affiliated companies.

I think it is somewhat unfair that parliament should be asked to grant authority to advance funds to an affiliated company without any ceiling whatever especially when a limit is imposed in respect of the principal company involved. I cannot see myself voting in favour of the measure without the amount in the case of T.C.A. being fixed and properly authorized. I certainly cannot see why parliament should be called upon to issue a blank cheque.

I have one further observation to make with respect to the head of the C.N.R. I hold no brief for him but I think it is very difficult to expect anyone to do a thorough job and discharge his responsibilities properly with the sword of Damocles hanging over his head. A man who is expected to do a thorough job should be quite fearless and should not be in a state of terrorization for fear that tomorrow or the next day the sword of Damocles will fall upon him.

I think the government should declare itself in one way or another and inform the house who the new directors will be. As honourable as these gentlemen may be, it is unfair to expect parliament to pass a measure granting them authority to spend such vast sums of money without parliament being taken into the confidence of the government with respect to who these men may be. No doubt the government already knows who they are. Why should parliament not be given the information to enable it to judge, on the basis of the experience and knowledge of its members, whether in its opinion, right or wrong, these men are competent and able?

When parliament is asked at times to vote on measures involving different departments we know who the people are who are in charge of the administration but here we are being asked to vote vast sums of money which will be administered by men whom we do not know. Parliament knows nothing about them and the government refuse to take us into their confidence and give us the opportunity at least to voice an opinion on the matter. From the point of view of the best administration of any organization, any crown corporation, I say that administration cannot be as efficient if the head of that crown corporation is living under a cloud and, as I said a moment ago, possibly living in an atmosphere of terrorization with no idea of when the sword of Damocles may fall upon him.

Our public servants and civil servants have to have a feeling of security so that they may be able to carry out their responsibilities fearlessly and with frankness and honour. Of course, it may be that it is the intention of the government, as the hon. member for Port Arthur said, to follow a policy that will keep public servants in a state of suspense. The hon. member said that at times perhaps it might be wiser to keep a public servant in a state of suspense because it will keep him on his toes and he will do a better job. That is a matter of opinion, a matter of philosophy, of study, of approach. Certainly I am not of the same opinion. When you keep a public servant or a civil servant in a state of fear—

Mr. Speaker: Order. I hesitate to interrupt the hon. member but this bill deals with Canadian National Railways and does not deal with the civil service generally. It seems to me that he is wandering afield a bit in making his point about the railway.

Mr. Crestohl: I was addressing myself strictly to the position of the president of the C.N.R. and I referred to him as a public servant. However, I think I have made my point. Whether the president of the railway is to be Mr. Donald Gordon or someone else, for the sake of efficient administration I urge the government to make a permanent appointment. In my judgment the situation would be improved if a determination were made because the head of that organization would not be in a state of suspense.

Mr. C. W. Carter (Burin-Burgeo): Mr. Speaker, I was not able to participate at the resolution stage of the bill and although I am a member of the sessional committee on railways, air lines and shipping I took very little part in the proceedings of the committee because there were a number of members of the committee who had already voiced severe criticism of the C.N.R. and its management. I thought that they should be given every opportunity to carry out the kind of questioning that they wanted to and for which they were prepared so that they would be able to satisfy themselves and the public as to what the real facts of the situation were. Although there were many questions I should have liked to ask involving matters of special interest to my own constituents and to my province due to the fact that the committee hearings lasted several days longer than usual, I refrained from taking part for the reasons I have given.

I should like to take this opportunity to make a few comments which under other circumstances I would have made either on the resolution stage or in the sessional committee. I should like to begin my remarks by joining with those who have paid a tribute to the chairman and vice-chairman of the sessional committee for the excellent job they did. One can appreciate that the committee met under circumstances which in some respects made for more difficulty than in previous years and which perhaps meant a more trying time for the presiding officers of the committee. I think every member of that committee came away with a feeling that he had had every opportunity of exploring whatever questions he wished and securing as full information as possible. As some hon. members have already testified, on this occasion they did succeed in getting much more information than before. The committee, in my opinion therefore, was an eminent success. This fact, I believe, was in large measure due to the two hon. members who presided over it, and I should like to pay my respects to them at this time.

While I am on this subject, I think I should take advantage of the occasion to pay tribute also to Mr. Gordon, the president of Canadian National Railways. If hon. members will refer to the committee proceedings they will find that from pages 299 to 306, most of the space is taken up with comments and observations by members of the committee by way of congratulating Mr. Gordon for his attitude toward the committee. I believe these words can be regarded as an expression of confidence in Mr. Gordon. I would have liked to have joined in these expressions at that time but six o'clock arrived and the committee had to rise so I was again prevented from having that opportunity. I should like to repair that omission at this time by expressing my accord with what was said and that can be found, as I have already mentioned, at the pages of the committee proceedings to which I have referred.

Mr. Gordon has been severely criticized during this session. I can recall that I have had my own differences with Mr. Gordon. There have been times when I, too, have not found myself in agreement with him on certain points. However, I believe that on this occasion the criticism has been quite unfair.

Mr. Drysdale: Are you referring to the hon. member for Port Arthur?

Mr. Carter: No, I am not referring to any hon. member in particular. I think my remarks apply equally to all, and if you will bear with me for a few minutes I will try to explain why I say that. We all acknowledge that it is the duty of every member to represent his constituents in this house and to put forward their grievances and their requests. We should do that, I think, in a reasonable manner and we do not portray a reasonable picture to the public when we place on *Hansard* a picture of a small part of the situation without projecting that against the background of the whole picture. We all receive letters from our constituents which set forth certain grievances as they appear to our constituents. Very often these letters present only part of the evidence. If we are going to present a picture to the public, I think it is only fair to the C.N.R. and to the public as well to place alongside of that the picture as it appears to the management.

We all know that Canadian National Railways face very severe problems, and these problems are rooted in history. In the eastern part of Canada, the maritime provinces, these problems go right back to confederation because one of the terms under which the maritime provinces agreed to confederate with Upper Canada was that a railway should be built. It was envisaged that that railway would link up central Canada with the eastern seaboard to transport the products of central Canada to the east coast. In this way the eastern seaports would be built up, and this would be beneficial to all. However, that did not happen. It was ten years before the railway was built, although that was one of the terms of confederation.

When the railway was built, it was not built in accordance with economic requirements, but mainly for military purposes. The railway did not serve the economic needs of the area. Various other lines came into existence which could not possibly be operated economically and so, in time, they went bankrupt. Pressure was put on the central government to take them over. Finally, these bankrupt lines, with their overhead and their debts, became part of the financial structure of the Canadian National Railways. Before things could be straightened out, wars intervened. During the last war when steel was scarce and could not be spared to build up the railway lines, these lines became rapidly exhausted. After the war, the Canadian National Railways was faced with broken down lines and with all the problems arising out of the accumulation of these bankrupt lines. In addition, the railway was faced with increasing demands from employees for better wages, better working conditions and the demands that we, ourselves, make in this house from time to time.

It is too much to expect that any human being could overcome all these difficulties, modernize all the broken down equipment,

meet the wage demands, and still operate without a deficit. I think the fact that this was done in some years is in itself a testimony to the efficiency of the C.N.R. management. I say that because when we consider that the C.N.R. comprises nearly 35,000 miles of track, 104,000 employees and an expenditure of over $700 million per year, the very vastness of that organization is almost beyond the average person's comprehension.

The Canadian National Railways is a vital part of our communications system. It is a part of our lifeline. In my own province it is our lifeline. Transportation problems are difficult in every country, but in a country like Canada, with such vast areas to be served and with such a small population distributed in a very thin line along the southern border, those problems are much more difficult than we perhaps find in any other country of the world with the exception of China.

We must endeavour to find the best solution we can to these problems. The solution found must be fair to other segments of the transportation industry. I am thinking particularly of the truck lines. Canadian National Railways has been more or less forced into the trucking industry, in the public interest, to keep its deficits as small as possible and to meet the competition of the trucking industry. I do not think anyone wants the C.N.R. to get into the trucking industry and compete unfairly with the private segments of that industry. That was a major concern of some members of the committee.

In this connection I wish to say that our leader has received a number of telegrams from the trucking industry on this subject. We thoroughly agree that there should be no cut rates for the sake of unfair competition which might endanger the private sector of the trucking industry. Mr. Gordon himself gave an assurance in this regard, as recorded at page 271 of the report of the proceedings of the committee. The hon. member for Vancouver-Kingsway (Mr. Browne) said:

> I want to bring to your attention that I have had some concern and have had a number of representations from employees in the trucking industry who have expressed the feeling that in some circumstances some of the firms, who knew they would be acquired by the railway, were quoting low rates.
>
> Mr. Gordon: I think I can give you this positive assurance that it is no part of our policy to engage in unfair competition, or unfair competitive practices in the trucking industry. It is my own belief that the entry of the railways, and particularly the Canadian National Railways into the trucking industry, will have a most salutary effect in regard to the ethics of the business. I am talking about maintenance of rates, overloading, the observance of franchise requirements, and so on. I can certify that the Canadian National does not in any way break the law and will not. We have already found some practices which we could not countenance and we have changed them. I would repeat what I have said, that our entry into the business will have a very beneficial effect on the whole standard of the industry.

Some hon. members may hold a different opinion, but I think we have here a clear statement of policy on behalf of the management of the C.N.R. It is not only a statement of policy but an assurance that there will be no unfair competition in the trucking industry. If evidence accumulates to the contrary, then of course there will be another opportunity at the next committee hearing to pursue further questioning on that point.

The second question which concerned the committee a good deal was the morale of the employees of the C.N.R. I believe everyone will agree that morale is important in every industry, but in no industry is it perhaps more important than in the Canadian National Railways. The morale of any industry is certainly the duty of the management, but it is no less the duty of the employees. Particularly it is the duty and responsibility of the leadership of the employees and employee organizations. It is no less our duty in this house to contribute to that morale. We do not contribute and in fact I think we tend to undermine morale in the Canadian National Railways when we make attacks based on faulty or incomplete evidence and when we speak in an intemperate manner. We are not contributing to the morale of the Canadian National Railways by the way in which we are now treating the present president and the board of directors.

As was pointed out this morning by the hon. member for Laurier, we are being asked to vote large sums of money without knowing what is going to happen to the present president; without knowing who will be in charge of the spending of this money. We do not know who will be on the board of directors, directing the management and the affairs of the railway. I do not think any conscientious person can say that is contributing to the morale of the employees of Canadian National Railways.

There is also another aspect of this matter. It is an affront to parliament itself. We have heard much in recent days about the supremacy of parliament, but parliament is not merely the executive; it is not merely the Prime Minister. Parliament is all of us in this house and the other place. Hon. members on the other side of the house have just as much responsibility as we in the opposition to see that the rights of parliament and the supremacy of parliament are preserved. Therefore if we really believe in the supremacy of parliament, certainly the information as to who is going to be the president of the railway and who are going

to fill the extra seats on the board of directors should be made known to parliament before this bill is passed.

I think the morale of the Canadian National Railways could make a great contribution to the morale of the country as a whole, because the C.N.R. is in a very special position in that it extends right across the country from east to west; it serves all sections and all districts of our country, and if we had in the C.N.R. a high level of morale, that would be an example for other industries to follow and it would also, I think, inspire and uplift the morale of the other parts of Canada.

Mr. Drysdale: You mean, Mr. Gordon should be fired?

Mr. Carter: No, I am not saying that Mr. Gordon should be fired. I rather took it from the testimony given by the members of the committee and particularly from the testimony given by the hon. member for York North—

Mr. Drysdale: You said morale was important, and I was wondering whether you were backing the hon. member for Port Arthur.

Mr. Carter: I think morale is important, but I think we all have a responsibility for it. The attitude of the hon. member seems to be that Mr. Gordon is responsible for low morale.

Mr. Drysdale: No. I was just trying to get some clarification of your views.

Mr. Carter: The point I wish to make is that it is not only Mr. Gordon who is responsible. The leaders of the employees organizations and we ourselves, as members of parliament, are also responsible. I would judge that the tributes recorded at pages 299 to 306 of the committee's report constitute an expression of confidence in the management of the Canadian National Railways. As far as morale is concerned, the employees themselves could do more than they are doing.

Mr. Drysdale: Do you think Mr. Gordon should be retained? Is that the stand?

Mr. Habel: Is this a private conversation?

Mr. Carter: We learned from Mr. Gordon in the committee that very often the employees themselves neglect to act in their own interest, particularly with respect to pension contributions. It was only a few years ago, after trying all voluntary methods without success, that Mr. Gordon and the management found it necessary to make pension contributions compulsory. As long as contributions were not compulsory a large percentage of the employees neglected to make their contributions, though it was clearly in their own interest that they should do so.

I have a great deal of sympathy for the former employees of the C.N.R. and, indeed, for all civil servants who retired at a time when pensions were small. We are now faced with a problem in this respect and I believe parliament will have to deal with it, particularly in connection with those who retired on $25 a month. Some 40 years ago, $25 a month might have been a significant sum, but today it is not even pin money and it is clearly not possible for people to exist on such a pittance; it must certainly be supplemented from charity. I think we have an obligation in this direction, but in many cases these situations arise out of the failure of the employees themselves to act in their own interest.

I said that the Canadian National Railways was of particular importance to my own province because it is the only railway we have. Transportation is the greatest problem we face with respect to the industrial development of our province. We have many small, secondary industries, which are capable of competing in the mainland market as far as their operating costs and efficiency are concerned, but when the freight rates are added the picture is changed and it is made impossible for them to compete. We know that this problem of freight rates is under study and we hope that this study will produce a solution which will replace the present system of horizontal increases in freight rates. That practice, which has been carried on, now, for many years, has practically destroyed the original benefits of the Maritime Freight Rates Act. We are also in need of increased services in my province although, as the manager of the C.N.R. pointed out to us, considerable debt is incurred on the services we already have. But our population is increasing. When we became a part of Canada in 1949 our population numbered approximately 350,000 people, and now it is nearly 500,000. That means more services and we must depend on the C.N.R. for those services. Not only must those services be improved, but they must be made available at a much lower cost than at the present time.

We learned from a question asked in this house a couple of days ago that the *William Carson* is now unable to handle all the traffic between the port of North Sydney and Port-aux-Basques. I examined that situation myself last summer and something will have to be done about it. We are trying to build up our tourist industry. We cannot expect to develop a tourist industry unless we are able to bring tourists into our province and look

after them while they are there. This necessitates not only increased rail and transportation facilities but better hotel accommodation as well. The Newfoundland hotel operated at a profit last year and we hope the management will appreciate the necessity of expanding the facilities of that hotel. Mr. Gordon promised to have a hard look at it, but he appeared to be very non-committal in his references to that problem.

Then there is the question of an east coast ferry. We have been waiting now for two years—

An hon. Member: Since 1949.

Mr. Carter: An east coast ferry? I have never heard anything about an east coast ferry before two or three years ago.

Some hon. Members: The last election.

Mr. Pickersgill: It was before the electorate in 1959. The Tory leader said it was before the treasury board.

Mr. Carter: That is right. I remember it was promised in 1959. But it has not materialized, and as I say, with the increase in our population it is becoming a necessity. So I hope that this will receive consideration in a favourable light both from the government and from the management of the Canadian National Railways.

Before I sit down I should like to direct to the attention of the government and through it to the attention of the management of the Canadian National Railways the need for improved services between St. John's and Argentia, which is the terminal for coastal services that serve my home riding. I think that is the worst piece of railroad in Newfoundland if not in the whole of Canada. It is only 80 miles in length but it takes six hours to traverse. There are no meal facilities on the train and few rest rooms along the route.

Mr. Hellyer: What do you do if you have to go?

Mr. Carter: Well, it is a very poor service which should receive priority of attention, and I ask the government to bring this situation to the attention of the management in an attempt to get action as quickly as possible.

(Translation):

Mr. Gerard Loiselle (St. Ann): Mr. Speaker, we are being asked by the government to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways system for the period from the 1st day of January 1961 to the 30th day of June 1962. As this is a crown corporation, we must of course give full consideration to the matter.

In considering the problem, we should take into account the plans of the C.N.R., as well as the situation of the trucking industry in the province of Quebec and in the whole of Canada.

In that connection, Mr. Speaker, I received a telegram on July 6—I think a copy was sent to all hon. members—signed by Mr. Romeo Blouin, secretary general of the Quebec trucking association incorporated. The telegram reads as follows:

> Are informed C.N.R. is asking Quebec provincial transport board to acquire trucking companies stop We protest against railway interference in field of private enterprise stop On behalf of our members urgently request your intervention in favour of private enterprise against state monopoly.

Mr. Speaker, after receiving this telegram, a member on the government side asked a question on the subject to the Minister of Transport, and here is the minister's reply, as recorded on page 7680 of *Hansard* for July 7 1961:

> Mr. Speaker, that is a decision for the authorities of the C.N.R. However, I should like to assure my hon. friend that I will pass on to the C.N.R. officials the representations he has made in that connection.

Mr. Speaker, following that reply from the minister, I asked the following question:

> Mr. Speaker, could the minister take that opportunity to impress upon the C.N.R. that it should not enter a field which belongs to private enterprise, especially the trucking industry?

And the Minister of Transport answered:

> The final decision as to whether or not the C.N.R. will be allowed to purchase or operate a trucking business in the province of Quebec, rests with the Quebec transport board.

So the Minister of Transport promised the hon. member for Matapedia-Matane (Mr. Belzile) that he would make appropriate representations to the Canadian National authorities, and I very much hope that my brief remarks this afternoon in connection with this matter will prompt him further to communicate with the Canadian National authorities to make them understand the need of that industry, of which all hon. members are aware.

Mr. Speaker, the Canadian National Railways Company has already started to acquire some trucking companies in the country. The trucking industry is apprehensive of its fate at the thought that the C.N.R. will become, if it is not already, a competitor in that field.

That association worries the more about the present situation as it is made up of representatives of the whole trucking industry in this country.

The Canadian trucking association incorporated last June presented a brief to the Prime Minister and to the members of the cabinet. In the introduction to this brief can be found the names of the various member organizations throughout the country. As the brief says:

> The provincial trucking associations comprise over 6,000 trucking companies, including interprovincial and extra-provincial trucking firms.
> Those companies provide every imaginable service with regard to renting local and long distance transportation for goods.

The total volume of commodities moved from city to city by renting transportation companies, according to the brief, and as indicated by the dominion bureau of statistics, amounted to 140,504,000 tons in 1958. Those figures mentioned in the brief were supplied by the dominion bureau of statistics.

I need not add, Mr. Speaker, that the industry receives no assistance whatsoever either from the provinces or from the central government. A subsidy is granted to the crown corporation which operates a railway service and now wants to buy out trucking companies. The government is thus being prejudicial to the trucking industry. Let nobody in the government tell us that they are promoting private industry. The Prime Minister may voice high sounding statements to the effect that the next election platform will be the protection of private enterprise against socialism, but he is only misleading the people.

Unfortunately, I do not have before me that newspaper item containing the statement I just quoted. But he publicly stated that the next election would have as its theme: "private enterprise versus socialism."

If the Prime Minister is ready to defend private enterprise, the members of his cabinet, and more particularly the Minister of Transport (Mr. Balcer) should not wait until election time to set an example.

I remember a recent letter from a transport company in Winnipeg, complaining that another carrier, the east-west company, transported goods at prices which might mean bankruptcy for other carriers. We should not only help these firms not to founder, but we should protect them against those who, for some reason or other, are willing to work

under conditions which others could not afford. Moreover, the government has the responsibility to protect private companies against crown companies or even against the Canadian National Railways, who want to interfere in the trucking industry.

I should like to draw hon. members' attention to the following view which is to be found on page 3 of the brief:

> —it has already been suggested that the trucking industry did not pay its fair share of road costs, and consequently, that it is subsidized by the Canadian taxpayer. The trucking industry does not travel free of charge on Canada's highways. And the industry is not subsidized, whether directly or indirectly. In registration and licensing fees and gasoline taxes, the commercial road carrier contributes much more, proportionately, to the revenues of government treasuries than the private car owner. And contributions will continue on such a scale, as all informed Canadians know.

The members of this association, Mr. Chairman, do not object to the C.N.R. authorities doing business in transportation. They accept competition, but want fair competition. On the other hand, they claim—and I support this contention—that crown corporations should not try to cut the throats of those who pay taxes in order to pay for the deficits of crown corporations.

Mr. Chairman, mention is also made in the same brief of a statement of principles made by the province of Quebec. It appears on page 6 of the brief, and also in the official record of proceedings of the royal commission on transportation, volume 124, page 20664. I quote:

> We believe that the problem facing the people of Canada and the people of Quebec is not a matter of favouring one method of transportation at the expense of another. Rather than that, we should ask ourselves what is the most efficient means of providing useful transportation services, on a long range national basis, and what is the best way of providing the services at the lowest possible cost to the consumer without adding to the load of the Canadian taxpayer. We therefore believe that each of the five main types of transportation are the instruments of national policy, and that economic and national interests should be the guiding criteria.

I shall not delve further into the subject, hoping that the Minister of Transport, who promised this week to bring the situation to the attention of the C.N.R. management, will take the necessary action and perhaps will be able to persuade the C.N.R. to change its policy in this field.

Now just a few words on another subject. Under the bill now before us, we are asked to vote something close to $179 million,

including $19,700,000 for the financial needs of Trans-Canada Air Lines.

This morning, I asked a question of the minister to find out how things stood with regard to the work stoppage at T.C.A., which is to take effect on July 21.

I hope, as I mentioned this morning, that the government will do its utmost to prevent this strike, which would deprive thousands of citizens of this transportation service for an indefinite length of time.

I hope the government is giving serious consideration to this matter and will be much quicker in providing a solution than it has been in fulfilling its promise to tackle the unemployment situation which is now plaguing the country.

(Text):

Mr. John R. Matheson (Leeds): Mr. Speaker, in speaking of the terms of this bill one of the earlier speakers referred to the necessity of government making up its mind. These past four years of drift have been years of sharp decline. Now we have the president of our greatest business in Canada living on day to day sufferance. I think one member spoke of the cat and mouse game being played by this government. I am too new here to know very much about the merits of Mr. Gordon's reappointment. I do know Donald Gordon. I see him as a giant of a man who in 1946 was offered the office of president of the international bank of reconstruction and development, the world bank. At that time nations such as the United States, France, Germany and India were among the large subscribing members but throughout all the world one of the people first sought for that high office was a Canadian, Scot-born but Canadian by adoption. This man held international confidence and respect. If the government do not want Donald Gordon they should let him go. Those who have been released by this administration have managed to go far, and often their release from the public service of Canada has been to their immense material advantage.

In my view Donald Gordon is a giant in thinking ability, administrative skill and integrity. We do not really need to worry about his future. His only reason for staying in Canada has been great devotion to this country of his adoption.

An hon. Member: At $50,000 a year.

Mr. Matheson: I greatly appreciate the language used by the universally respected member for Greenwood in his remarks which can be found in *Hansard* of May 13, 1961. He said, as some other hon. members did, it is unfortunate that our committee members are so sensitive about a president on occasion speaking back to the members of this house. Whoever we have in this important office—and the appointment should not be delayed—should be a man and not a mouse. If that kind of man is appointed I am sure that after the next election the new administration will be very happy to work with him, just as former Liberal administrations were able to work so co-operatively with outstanding men such as Clifford Clark and Graham Towers who were appointed by a Conservative government. We want a man of courage and independent judgment. This is the type of person we want right throughout our public service and heading all our crown corporations.

I should like to quote a few words that Adlai Stevenson used on television a few months ago. He said:

> More important than winning the election is governing the nation. This is the final test of a political party, the acid final test. When the tumult and the shouting die there remains the stark reality of responsibility.

I feel, sir, that governing a country, with problems as complex as those of Canada, calls for skills and ability on the part of key public servants probably exceeding those that are necessary even to preside over ministries.

May I turn to a matter of historic interest, namely the Brockville railway station. This is a subject that has commanded the attention of this parliament in years past. George T. Fulford and my predecessor, Hayden Stanton, both expressed themselves in strong terms about our station. While it is of considerable interest to local historians we feel that this building erected I think in the month of June, 1856, as the terminal of the Grand Trunk Railway, has perhaps outlived its functional usefulness. Now we would like to present it to Upper Canada Village.

I was able to find in the library of parliament a book entitled "A Souvenir of Brockville". Judging by the costumes, the bicycles, the hoop skirts and so on depicted in the illustrations I think it was probably produced about the time of Queen Victoria's jubilee. I see parasols in sailboats, paddlewheels and things of that kind. The only thing in those photographs of early Brockville that really reminds one of the Brockville of today are the islands and, of course, the post office which the Minister of Public Works has so recently promised to replace very shortly and our station.

I spoke to a telegrapher who went to Brockville in 1901. He tells me that in those days the station looked exactly as it does today. I think that is not quite correct because, fortuitously, between July 26 and August 3, 1910 there was a Grand Trunk strike during which some damage was done

to the station. I say fortuitously because after the windows and the doors were repaired our station was smartened up just a bit. Since that time, except for the addition of flush toilets, there has been no change for the better.

Now we see certain changes that are disturbing. We find that the yard office, which is being discontinued, now occupies a corner of the old station. In place of two waiting rooms we now have one. The express depot at the station is being shifted to a freight shed. The car repair division of the Manitoba yards and the brake inspection department are being cut down and the operation of shops curtailed.

We do recognize that certain things must give way to progress. It may be that there have to be fundamental changes affecting our railroad families, but there was a time when in Brockville there were 700 to 800 railroaders. These were great people. They are the people who laid the foundation of my Thousand islands city, and their descendants have contributed very largely to the progress of this country. We now have fast diesel freights going right through Brockville, and whatever happens in the future earnest regard must be given to what will happen to the railroaders of Brockville who are involved.

In 1854 Brockville was the end of the line for anyone travelling to western Canada from Montreal. People then took a boat and travelled by water up the river past Kingston to Belleville. But now the situation is different. Brockville is almost midway between the two great metropolitan areas of Montreal and Toronto. I put it to the house earnestly that Brockville is in the most exciting area for new industrial development in Canada. We have the facilities in eastern Ontario for far reaching industrial expansion. If any part of Canada is bound to go forward in the next decade, it surely is this part, I urge the administration to please give us a new station and very soon.

Mr. Deputy Speaker: The hon. member for Levis.

Mr. Bell (Carleton): You will soon run out of members.

Mr. Maurice Bourget (Levis): It does not not look like it. A couple more are going to speak.

(Translation):

Mr. Speaker, the remarks of the hon. member for Carleton (Mr. Bell) are most surprising, considering that we are discussing a bill which involves an expenditure of over $200 million. I find it strange that the parliamentary secretary to the Minister of Finance, whose department is directly responsible for ensuring that the funds voted by this house are properly spent, should object to our taking a few hours of the time of the house to scrutinize this bill, as members conscious of their responsibilities should do.

In addition, I find it strange that he takes exception to the fact that we look fully into a bill which represents an expenditure of almost one quarter of a billion dollars. I suppose that the hon. member for Carleton made his objection without thinking and that now he regrets it.

(Text):

Mr. Denis: Shame, shame.

(Translation):

Mr. Bourget: Mr. Speaker, as I said earlier, the matter at hand involves public funds exceeding $200 million to enable the C.N.R. to make capital expenditures during the calendar year of 1960 in the amount of $178 million and at the same time to authorize expenditures of $76 million for 1962, in addition to other expenses of $44 million.

Those amounts include expenditures with regard to road property and, if I am not mistaken, this means the maintenance of many miles of railway tracks owned by railway companies, including the C.N.R., as well as the bridges scattered over thousands of miles of railways belonging to that company.

Well, I have a point I wish to bring to the attention of the Minister of Finance (Mr. Fleming) and, in this matter, he would want to relay our suggestions and recommendations to the Minister of Transport (Mr. Balcer) who is more directly responsible for consulting with C.N.R. authorities. It is a most important matter which I think has not been raised in the house. It has to do with passenger safety.

I had the oportunity, in 1958, to remind the house that in my district alone, that is the Levis district, there had been 80 section gangs and that, in the autumn of 1957, their number was reduced from 80 to 50. As an engineer and one with some experience in the construction of bridges, I am well aware of the dangers of leaving bridges in such a condition that they constitute a threat for the travelling public. In fact, each year there are millions of persons travelling on our trains, trusting that railway authorities do their best to keep bridges and railways in good repair.

Well, when you find that a division comprising 80 sections or 80 gangs looking after

the tracks, has been reduced, you wonder whether passenger safety is being adequately provided for today. It is a known fact and I know it in my capacity as an engineer that, particularly in the spring at flood time, the water in a river will often erode the abutment piers of a bridge. That is why I find it deplorable that the number of these maintenance gangs has been reduced.

You know by experience, Mr. Speaker, what care is taken by air lines and how everything is checked before the plane leaves.

I wonder why the same precautions are not taken in the case of railways on which, as I say, millions of passengers are travelling each year. I draw once again the attention of the minister to this point for I believe it is an important one. It may be said that there has been no serious accident so far. That may be so. But, on the other hand, who knows what the future holds? That is why I ask the minister to get in touch with the management of the C.N.R. and to make them understand that if they must cut down some expenses they should not however endanger the security of the travelling public.

I should like to draw the attention of the house to another aspect of the question. It concerns a recommendation in the report of the sessional committee on railways, air lines and shipping—unfortunately, I do not have the French copy with me—to the effect that continuous efforts be made in order to increase the corporate feeling and the confidence among employees. I believe that this is an important aspect of the question. I do not intend to belabour the point for it seems to me that the relations between management and labour have their importance in a company which numbers nearly 100,000 employees.

I am glad to see that the committee has particularly drawn the attention of the railway authorities on this subject, and I will not deal with it any longer. I have had the opportunity in the past to prove that the morale of the employees is low at the present time, for the simple reason that when statistics tell them that each year 4,000 or 5,000 railway employees with 15, 20 or 25 years of service are fired, they have reason to fear, for they live in uncertainty, not knowing what tomorrow holds for them.

Well, as I said, I am glad that the committee has drawn that problem to the attention of the railways, and I hope that the management will not only read the report, but that they will carry out its recommendations.

I believe that all companies today have their personnel division. Well, I think steps will have to be taken in order to give railway employees the feeling they are doing a worthwhile job and that they are in no danger of losing their jobs at a moment's notice. Because we know that there are not many railways here in Canada, and when a railroader loses his job, it is quite difficult for him to rehabilitate himself in another company.

There is another point with which I should like to deal, sir, that of the administrative system reorganization. I mentioned that in January and I mention it again today because, apparently, nothing has been done about it.

In the past, we had three regions: the Atlantic region, the Central region and the Pacific region. Today, we have five: Atlantic, St. Lawrence, Great Lakes, prairies and mountain.

In January I pointed out—I cannot repeat all I said then—that due to management reorganization, a section in the province of Quebec was attached to the Atlantic region.

I make that remark because the hon. member for Westmorland (Mr. Creaghan) seemed to think at that time that I was opposed to the headquarters for that region being in Moncton.

Such thoughts were far from my mind because in my opinion the place I just mentioned is truly the logical center of operations for that region.

However, there is a fact I oppose, and I am not the only one who takes that position.

Mr. Speaker, you had an opportunity yourself to see in the newspapers of our district representations made by the municipal councils and various public bodies concerned giving the reasons for their action. Those reasons had nothing to do with matters of language nor were they inspired by fanaticism.

The matter was only of an administrative nature which could bring more benefits to the district extending from Riviere du Loup through the Matapedia valley, to Campbellton and Gaspe. I hope that even though the Minister of Finance (Mr. Fleming) is not here, my remarks will reach the Minister of Transport (Mr. Balcer).

I hope that this matter will again be taken up with the railway authorities so that this section I mentioned earlier may become a part of the St. Lawrence rather than of the Atlantic region.

Those Mr. Speaker, were the few remarks I wanted to make. I tried to make them as short as possible.

And as they usually say on the government side, I hope those matters will be duly and seriously considered by the government.

(Text):

Hon. Paul Hellyer (Trinity): This afternoon we are considering in this bill the requirements of Canadian National Railways, a great national enterprise. It is an enterprise, however, which has operated under great difficulties for a number of years. It is a federation of many companies put into business for various reasons at various times, and has assumed liabilities which put it in a uniquely difficult position to compete, not only with the other major railway system in this country but also with other forms of transportation. Canadian National has a capital structure which is complicated and, in the opinion of many people, onerous.

To those, Mr. Speaker, who are interested in state planning, the growth and development of the railway systems of this country makes an interesting story. The technical changes which we have seen throughout the years were impossible to foresee. Not only do we have in many places an excess of rail capacity, but new modes of transportation have arisen to provide competition which could not possibly have been anticipated during the period when the railway systems were inaugurated. Who could have foreseen, at the turn of the century, what the future would hold? Who could foresee what the advent of the airplane would do to travel concepts?

In 1959, Mr. Speaker, we celebrated the 50th anniversary of powered flight in Canada. From a time when an airplane was able to fly only a few yards across the ice, we have now come to the point in the evolution of this miraculous machine where airplanes can travel thousands of miles at very high speeds. May I say in passing that I regret the recent death of the pilot of the first aircraft, Air Commodore McCurdy.

Air transportation has undergone a gradually explosive evolution. I remember as a boy on the farm those beautiful silver winged aircraft, the DC-3's, as they passed over en route from Buffalo to Detroit. I recall the glamour that they had and the spirit of adventure which seemed to lay behind them. I watched with great interest the evolution which has taken place in the aircraft industry since that time. The DC-3 was the first great workhorse of the air lines, the aircraft which really put modern air line companies into business. It has just recently been retired from service on our major air lines in Canada but is still in service elsewhere throughout the world. Each successive aircraft has been more comfortable and faster. We have had in this country a succession of aircraft designs to the point where Trans-Canada Air Lines now boasts the position of being the first all-jet air line.

We have all heard the stories from the second world war of those hair-raising flights across the Atlantic ocean in bucket seats, with oxygen masks. We have heard some of the interesting and exciting tales of dangerous and unforgettable flights not only into danger in the service of this country in the pursuit of winning the war. Since then aircraft have been designed and put into service which make those aircraft seem like antiques of another age. Turbo jet and pure jet engines have made a tremendous contribution to the development of not only safe but comfortable air travel. Trans-Canada Air Lines main fleet of turbo jet aircraft is capable of flying at speeds in the range of 285 to 350 miles per hour. This reduces the air travel time between points in Canada very substantially indeed.

Then of course with the advent of the pure jet engine more recently—the DC-8's with speeds of approximately 550 miles per hour—the travelling time has been almost cut in half from that of the turbo prop aircraft. Today we have very comfortable air travel at very high altitudes. This, again, is a departure from previous days and has only been made possible with the pure jet engine. When flying at altitudes of approximately 35,000 feet one usually flies above the weather on a smooth course and with all the luxury and comfort of home or the club.

Of course, the end is not yet in sight. Supersonic aircraft are on the drawing boards which will triple the speed of existing jet air-liners. Aircraft with speeds of 1,500 miles per hour are now in military service and it is only a matter of a few short years until aircraft of comparable speeds will be introduced into commercial air line service. When that becomes a reality it will be possible to fly from Ottawa to Europe, for example, in two hours, or from Ottawa to Vancouver in a comparable time. We will have a two-hour flight from coast to coast or from one side of the ocean to the other side of the ocean. It is almost unbelievable, and yet this has all taken place within a period of a few decades.

As the speed of aircraft increases the ground time due to inadequate planning and traffic

congestion is becoming an increasing proportion of the total travel time. But notwithstanding this confusion on the ground it is still possible to travel very great distances in relatively very short periods of time. All this has a direct bearing on rail transport. People who in previous times travelled by train now prefer to travel by air. Just as the automobile and the autobus have provided great competition for trains on short runs, so the airplane has largely supplanted long range train travel. As wages and salaries rise time becomes more valuable, and time saved by air travel on long hauls more than compensates for any small difference in the fares.

In addition to air travel the trains are now subject to another form of competition. With the opening of large sections of the trans-Canada highway the casual traveller who is not in a great hurry can enjoy the flexibility of scenic highway travel in the luxury of his own auto. This great Canadian achievement inaugurated, as most great Canadian achievements have been, under the previous Liberal administration is adding tremendously to the flexibility of Canadian transportation. We hope it will not be too long before it will be possible to drive from coast to coast on the trans-Canada highway.

Mr. Bell (Saint John-Albert): Inaugurated by you people.

Mr. Hellyer: We started it and I would not be surprised, bearing in mind the speed with which the present government is progressing, if we are able to open it also. With the completion of large sections of this highway it is possible for truck transport to compete more favourably with other forms of transportation. The net result of these various forms of competition is a falling off of passenger traffic for our railroads and the occurrence of heavy losses. Indeed, we have been told that the day of the trans-continental passenger train may be near an end. This raises a feeling of nostalgia for anyone who has ever travelled across the country by train. It also raises the very real question as to whether or not in the national interest it is desirable to maintain at least a minimum rail service on the main routes.

There are many questions involved. For example there is the question of weather. As any air traveller knows, there are sometimes periods of days, sometimes stretching into a week or more, when the weather at a terminal point is not satisfactory for air travel and when landing conditions are such that air travel is not allowed because of safety requirements. During these periods it is often necessary for travellers to avail themselves of train services regardless of their usual travelling habits.

There is also the question of national safety and survival. What would we do in the case of nuclear attack, for example? Would the railroads be required to move personnel and supplies? Just what precautions should be taken in the national interest in order to keep a minimum service available in case it is required? This question should be investigated and a decision made with all the factors in mind. If a subsidy is necessary to maintain a service, the cost will have to be equated with the benefit. At least at the outset the question of whether or not a minimum service should be maintained on the major national routes should be determined. If it is considered in the public interest that such a service should be maintained, then the financial aspect should be taken into consideration. If it requires subsidies, this is something that would have to be done as a result of the national policy.

In their freight services, too, the railroads are subject to much competition. It was not long ago that many of us had the opportunity of travelling to Montreal to witness the opening of the St. Lawrence seaway. It was a grand occasion, with Her Majesty the Queen and the President of the United States in attendance. Visiting dignitaries from both sides of the border joined hands in a great international transportation project. It was a day which will long be remembered in the history of this country. But it was not just the day which will be remembered. It was the work which went into that great project, the culmination of a dream of decades—the culmination of an engineering project which taxed the imagination of the whole world. Now the St. Lawrence seaway ranks as one of the great engineering marvels of the world and contributes to a great internal waterway as part of the Canadian transport system.

In addition, there has been phenomenal growth in the trucking industry. This has proved to be a very flexible form of cargo handling. It has many advantages. A truck can be loaded and unloaded at the points of origin and destination without the cargo having to be transshipped. On many types of haul it is cheaper as well as more flexible to use this type of transportation. With the opening of large sections of the trans-Canada highway, the growth of the trucking industry will undoubtedly increase, and as it does so competition between the trucking industry and the railroad will become keener.

I have received a number of complaints with respect to subsidies granted by parliament to the railroads. But it should be remembered that the railroads are not the only form of public transport to have been subsidized by the Canadian taxpayer. Almost since the early days of this country it has been necessary for the public to subsidize one form of transportation after another beginning, first of all, with the canals. The canals of this country were built at great expense. For example, until the St. Lawrence seaway was opened no tolls were charged on the Welland canal even though its construction had involved a considerable initial capital outlay. Even since the opening of the seaway the recovery from tolls on the canal has been designed to recoup only the additional cost of making that canal suitable for shipping of deeper draught which is now able to use the canal. By and large, throughout the history of this country, tolls have not been collected on our canal system. In addition, dockage charges have in no respect been sufficient to recover for the federal treasury the large capital outlays which were required to build them in the first instance. The fact is that the whole of our canal and shipping facilities, which have required a tremendous capital outlay, were in the first instance provided as a public service to contribute to the growth and development of our transportation system to serve all the Canadian people.

The second major development was the railroads. Here again, millions of dollars have been involved in subsidies from the time when the railroads were first built. It was a deliberate decision based on national policy that the Canadian people should make capital and land available in order to permit and encourage the development of railroads in order that there might be a Canadian nation. This remains national policy. It is part of the price of Canadian nationhood.

Now I turn to the trucking industry. Here again, highways from coast to coast have been built at public expense. There are few, if any, toll collections on Canadian roads. There are some, as you know, Mr. Speaker, in the United States. They have a number of toll "thruways". It has been suggested that it might be a good idea if we were to follow their example and build some toll roads. But the Canadian temperament thus far has been of contrary mind. Thus far it has provided roads as a public service and made them available to all the citizens of this country as well as to visitors who come here from other countries. But in so doing, the Canadian taxpayers, through their various levels of government, national, provincial and municipal, have been obliged to pay hundreds of millions of dollars in order that an acceptable network of roads and highways through our various provinces, and now from coast to coast, might be built. It is true we do have a few bridges, including international bridges, on which tolls are collected, but these are an exception rather than the standard practice. Hundreds of millions of dollars in subsidies are involved in the roads which are a foundation of the trucking part of our transportation industry.

Finally, I turn to air travel. Again, very heavy public subsidies have been required. These subsidies, if they have not already done so, will soon run into hundreds of millions of dollars. One need only examine the cost of new terminal facilities at our great travel centres, such as Montreal, Toronto and the other great cities across the country to realize this and to realize also the cost of building and extending runways to meet the needs of modern jet transport.

I remember Mr. Justice Abbott when he was minister of finance talking of the very heavy public participation in the building up of an air transportation system in Canada. Again, this was a matter of national policy. It has always been a matter of pride that our national air line, Trans-Canada Air Lines, has been able to pay its way, having many surpluses during the course of its operation. This has been a matter of pride to the shareholders, the Canadian nation, but it must be realized that in order that this might be done it has been necessary, first of all, to give Trans-Canada Air Lines the privilege of a monopoly arrangement in serving the major traffic areas of this country. At the same time, no effort has been made to collect tolls which would be sufficient to pay for the terminal facilities and runways at our Canadian airports. These have been paid from the public purse.

It is not conclusive for any one form of transportation in Canada to complain about the subsidy of any other. In order to be able to consider these complaints with some objectivity it would be necessary to have some basis for comparison. To the best of my knowledge transportation subsidies have usually been treated on an ad hoc basis. Perhaps this has been inevitable as our country grew and developed from infancy. However, I feel now the time has come when we should seek some over-all comparative standard.

I am not suggesting it is desirable or necessary to try to equate the subsidy in each. I do not know; it may be desirable to try to do so, then again it might not be desirable. At least it would be helpful to have some sort of standard at which to look. I would, therefore, recommend that a royal commission be appointed to examine into

the history and development of the major forms of transportation in Canada, and in particular to determine in so far as possible the extent of public subsidy involved in each existing major form of transportation.

I realize that such a study would not be easy. The difference in purchasing power of currency from time to time, for example, would have to be equated, but I am convinced that would be a worthwhile exercise and that the result would act as a guide to parliament and to the Canadian people when considering public transportation policy. It might also provide some interesting information to those persons engaged in the transportation field who believe that each of the competing systems is subsidized unfairly to the detriment of their own particular position.

In recommending the appointment of a royal commission I would say that I should not expect it would make a report before the next general election, and that after the election it would report to a new government not only capable of benefiting from the information but capable of taking action if action seemed to be necessary following the report.

This bill before us today also involves an ad hoc measure. It commits the government of Canada to very sizeable obligations and the question arises as to where the money will come from. The Minister of Finance in his very interesting budget speech of a few days ago outlined to the house not only a budgetary deficit of some $650 million arrived at on the basis of a growth potential which the minister declined to make public, but in addition to that, the further need of several hundreds of millions of dollars for other requirements such as Central Mortgage and Housing Corporation, the industrial development bank, the exchange fund, this bill before us and other measures. The minister has not yet, however, satisfied this house as to where the capital can be obtained. The minister knows full well, as has been disclosed, that the generations of savings on the part of the Canadian people is not sufficient to meet all of the demands. It is not sufficient to meet the demands of private development when added to that figure is the public capital expenditure, the public current deficit and the other cash requirements such as those I have just mentioned, including those set out in the bill now before us.

Mr. Speaker, you shake your head with incredulity—

Mr. Drysdale: I do not blame him.

Mr. Hellyer: I do not blame Mr. Speaker either because there is simply no source from which this money can come. There is, of course, the possibility that it may be made up by the inflow of capital from the United States of America as has been happening in the past, but as the minister has said, it is no longer of the policy of this government to encourage capital inflow and control—

Mr. Deputy Speaker: Order. May I just indicate to the hon. member that I am glad he mentioned the movement of my head because I should not want the record to show that I approved of the relevancy of his remarks.

Mr. Hellyer: Mr. Speaker, I appreciate your interest in this scintillating debate. If capital inflow were encouraged perhaps that would make up the difference between the savings generated and that amount of money required to meet not only the private but public capital expenditures. Even at the old rate of inflow, let alone at the lesser figure, it will be insufficient to meet all of these various needs. How is the gap to be closed? The minister has yet to tell us. Is he going to print money and inflate the Canadian currency? Is that how he is going to make up the difference between the savings generated by the Canadian economy and the requirements of public and private investment in Canada?

Mr. Fleming (Eglinton): Order.

Mr. Hellyer: Is it going to be made up by further capital inflow from the United States? Surely the minister should explain to the house just how the difference is to be reconciled.

An hon. Member: He already has.

Mr. Fleming (Eglinton): Order.

Mr. Hellyer: Mr. Speaker, I hear from the benches opposite that he has already explained, but that is not the case. He has not indicated how he can reconcile the discrepancy between the savings available in Canada for investment both public and private, and the requirements for investment both in the public and private sectors of the economy. That is the great mystery behind this current budget, and that is the thing which has not been explained to the satisfaction of the financial world or to the satisfaction of this house.

There is little wonder that, under the circumstances, we hesitate to agree without considerable objection to these measures put before this house by the minister.

Mr. Fleming (Eglinton): Are you going to vote against this bill?

Mr. Hellyer: This is a matter of the utmost urgency.

Mr. Fleming (Eglinton): Are you going to vote against it?

Mr. Hellyer: Where is the money to come from? By what sleight of hand does the minister intend to make it available? By what measure of hocus pocus can he reconcile figures which are hundreds of millions of dollars apart? How is he going to pile on top of the savings generated by the Canadian economy the hundreds of millions of dollars necessary to meet the difference required by his budgetary deficit?

Mr. Drysdale: Are you against it or in favour of it?

Mr. Hellyer: The Minister of Finance completely refuses to make this information available; he completely refuses to tell the Canadian people how it can be done. Is it any wonder that we have a financial crisis in this country unprecedented in the history of the Canadian nation? Is it any wonder that people all across the face of the earth are losing confidence in the Canadian economy? Is it any wonder that there is a push on the Canadian dollar? Is it any wonder that we have reason to ask the minister to explain to us where he intends to raise the money required to meet the obligations set out in this bill? This has not been explained and the minister has made no attempt to do so.

Mr. Fleming (Eglinton): I am full of explanations if I can get a chance to make a reply.

Mr. Hellyer: You are full of something but I am not sure it is explanations.

Mr. Fleming (Eglinton): You do not want them.

Mr. Hellyer: The minister is full of this cold invigorating Ottawa air which comes down from the north.

Mr. Drysdale: It is better than hot air.

Mr. Hellyer: Regardless of which it is, the government has plenty of it.

Mr. Browne (Vancouver-Kingsway): Talk about the bill.

Mr. Hellyer: Mr. Speaker, to come back to the bill, let me say this. We are asked to incur obligations here involving many millions of dollars. As has been so brilliantly pointed out by those who have spoken on this side, we have not yet been told who is going to run the railroad.

Mr. Fleming (Eglinton): Is this the first time or the twelfth time?

Mr. Hellyer: We have not yet been told who the board of directors will consist of. Surely the minister has terrible gall to come before parliament and ask for this commitment when he refuses to say who the chairman of the board will be.

[Mr. Fleming (Eglinton).]

Mr. Drysdale: Do you feel Mr. Gordon should be fired?

Mr. Hellyer: Will the chairman of the board and the president of the railway continue to be one and the same person, or does the government intend to separate these two functions and have two persons, one the president and the other the chairman of the board? Is the minister willing to answer these questions for us?

Mr. Fleming (Eglinton): Yes, as soon as you sit down.

Mr. Hellyer: I will sit down in a moment. I hope you will answer these questions and all those asked by my honourable colleagues. Will the president continue to be the chairman of the board? When will his reappointment take place? When will the appointment of the other members of the board take place? I refer to those who have not been reappointed.

Mr. Fleming (Eglinton): If the hon. member sits down I will answer the questions.

Mr. Hellyer: If I really believed the minister, if I thought my sitting down would speed up the reappointment of the chairman of the board and those of the directors who have not been reappointed I would quickly do so. I do not think it really would. I do not think this government is capable of meeting any of the real commitments which face it. I think it is so involved in the web of its own chaos that it does not know which way to turn and this bill we have before us is just one more example.

Mr. Chevrier: Procrastination.

Mr. Fleming (Eglinton): After this filibuster?

Mr. Hellyer: Chaos and financial crisis; that is the situation in which we are placed.

Mr. Fleming (Eglinton): Don't talk about procrastination.

Mr. Hellyer: A deficit of hundreds of millions of dollars on current account; cash requirements of hundreds of millions of dollars on other accounts; tens of millions of dollars required for the Canadian National Railways and no indication of what the deficit of the Canadian National Railways is likely to be in the year ahead.

Mr. Fleming (Eglinton): Yes.

Mr. Hellyer: Yes?

Mr. Fleming (Eglinton): There is evidence on that.

Mr. Hellyer: Has the minister read the latest figures that show that freight car loadings are away down in the first six months of this year?

Mr. Fleming (Eglinton): Did the hon. member not hear the evidence before the committee?

Mr. Hellyer: The minister has refused to tell us the rate of growth that he expects in the Canadian economy. How then can we judge for ourselves the accuracy of the figures? What was the figure the minister used to work out his anticipated deficit of $645 million? Was it 5 per cent? Was it 6 per cent? Was it 7 per cent? Am I getting hot?

Mr. Fleming (Eglinton): You never were hot.

Mr. Hellyer: How close am I? Is it twice the figure of 3 per cent? What is it? On what basis does the minister arrive at the conclusion that his current deficit will be only $650 million?

Mr. Drysdale: After all, it is only five minutes to six.

Mr. Hellyer: How does he intend to reconcile the cash requirements with the savings available to meet them? These are the great unanswered questions of today. These are fundamental to the controversy raging in the country. These are fundamental to the loss of confidence in the minister and these are the reasons which prompted the hon. member for Essex East and others to call for the minister's resignation.

Mr. Drysdale: Your finest hour.

Mr. Hellyer: Surely we are entitled to know the anticipated growth in the Canadian economy. Surely we are entitled to know the figure the minister has used. How else can we determine what is likely to be the requirement for rail service, how else can we tell if it is wise to put this further capital into our transportation system?

Mr. Fleming (Eglinton): Don't you know?

Mr. Hellyer: We do not know what the minister is doing; we have doubts whether the minister himself knows what he is doing.

Mr. Fleming (Eglinton): Don't you know whether or not it is wise to put this money into the system?

Mr. Hellyer: The minister has not yet made it clear whether or not the growth of the Canadian economy is going to justify the expenses he has in mind.

Mr. Fleming (Eglinton): You want to stunt the system?

Mr. Hellyer: The thing that is stunted is not the system; the thing that is stunted is the growth of this country.

Mr. Browne (Vancouver-Kingsway): Do you think it is unwise to do this?

Mr. Hellyer: This is a sad commentary—

An hon. Member: Hear, hear.

Mr. Drysdale: The hon. member realizes it, too?

Mr. Fleming (Eglinton): How right you are.

Mr. Hellyer: I am full of sadness for the minister when he has to come before parliament without any answers to the real questions of the day and, with the gall that only the minister has, ask hon. members on this side of the house to vote for a bill without any of the real questions being answered.

Mr. Drysdale: Are they going to do it?

Mr. Fleming (Eglinton): I thought hon. members wanted some explanations and some answers, Mr. Speaker. I am ready to give them. I cannot speak until all the other members have spoken. Therefore, I will give way.

Mr. Pickersgill: Then just sit down and don't take up time.

Mr. Fleming (Eglinton): I thought they wanted an explanation.

Mr. Hellyer: We will give you a few extra minutes to get the answers ready.

Mr. Chevrier: He would not answer the questions anyway.

Mr. Pickersgill: If the minister did answer, what credence would we place in the answers?

Miss Judy V. LaMarsh (Niagara Falls): There remain but a few moments to discuss on behalf of those in the Niagara riding the bill now before the house. I have the honour to represent a riding which at one time contained a large railroad town namely the town of Fort Erie; but in the past few years there has been an increasing cut in the services which are provided and a concomitant cut in the number of individuals employed in the railway yards at Fort Erie. Unhappily this state of affairs has not been confined to Fort Erie, since it has extended also to the other end of my riding of Niagara Falls and indeed all across Canada.

All hon. members appreciate, as do most people in the country, the necessity of conversion from steam to dieselization, the necessity to speed up service in order that the people of Canada will be obtaining for the vast sums which each year they vote an efficient and economic service. But, Mr. Speaker, on this occasion we are again being asked to vote an immense sum of money for which it is difficult to see a return to the Canadian people.

This afternoon I do not intend to discuss the cessation of service in my riding. I have mentioned this before, both in committee and

in the house. I do, however, wish to bring to the attention of this house a matter with respect to the Canadian National system as it affects my riding and areas close to it. It has been referred to in the committee also and previously it was referred to in this house by my colleague, the hon. member for Welland. It is unfortunate that the hon. member for Lincoln is not in his place, since this has considerable reference to his constituents, at least those who work in his riding although many of them live in my riding.

I am referring to pensions, although I almost hesitate to use the word because of what the Prime Minister said in the past two days and what the Minister of Finance has been saying. However, I dare now to say I wish to speak this afternoon on pensions, Mr. Speaker. I will admit that the question of pensions of the type to which I wish to refer arose previous to the question of those to which we have been referring lately. I hope that this government which already has, through the Minister of Finance, indicated that it is interested in the portability of pensions by setting up a commission to study the matter, does not mean by "portability", as we might have gathered in the last few days, doing away with pensions. Indeed, those individuals to whom I wish to refer have had their pensions abolished.

Last night I watched television and I heard Mr. Richard Jackson of the press gallery speak. He is often said to be a fair man and one who has the Prime Minister's ear. This afternoon I saw his article in the Ottawa *Journal* in which he indicated that, because of a reference made yesterday by the Prime Minister, top civil servants in this city, in my riding and in other places have need to fear the loss of their pensions because of the remark of the Prime Minister when he said not this pension but "these vast swollen pensions deserve to be looked into". I refer to the Prime Minister's remarks as reported at page 7694 of *Hansard*. To those who might say—

Mr. Fleming (Eglinton): On a point of order, Mr. Speaker, it is quite improper to refer to what has been said in another debate this session which has been concluded. The house has concluded that debate and it is quite against the rules of the house to make reference to something said in that other debate.

Mr. Pickersgill: More closure. More gagging.

Mr. Fleming (Eglinton): The closure is from this irresponsible member who stopped a member on this side from speaking.

[Miss LaMarsh.]

Miss LaMarsh: I bring in this matter because it has relevancy to the pensions of the Canadian National to which I wish to refer.

Mr. Deputy Speaker: Order. The hon. member may make reference to but she may not discuss the problem which was raised in the other debate. I hesitate to give any direction to the hon. member because she is not much more out of order than most of those who have already spoken.

Mr. Fleming (Eglinton): Mr. Speaker, there is the other point too. It is a matter of relevancy. The Prime Minister was speaking about something entirely different. The hon. member now is attempting evidently to apply what the Prime Minister said on an entirely different subject to the matter of C.N.R. pensions. The Prime Minister was not talking about C.N.R. pensions or anything resembling them.

Mr. Chevrier: Why don't you accept the ruling of the Speaker?

Miss LaMarsh: I was seeking to point out that in the case to which I am referring pensions were done away with and this appears to be what the Prime Minister has indicated he intends to do in the case of civil servants.

Mr. Bell (Carleton): That is total nonsense.

Mr. Pickersgill: By his favourite press man.

Mr. Bell (Carleton): It is preposterous misinterpretation.

Mr. Pickersgill: By Jackson of the *Journal*. You had better read your favourite press man.

Mr. Brunsden: Further to the point of order, Mr. Speaker, is it in order for an hon. member to quote local newspapers and the C.B.C. as authority for statements?

Miss LaMarsh: Mr. Speaker, the pensions to which I have reference are those which have been done away with lately involving 75 individuals in St. Catharines. Within the last few years another 150 employees of the Canadian National have been unjustly deprived of their pensions. These three groups of individuals, one located in the riding of the Minister of Labour, one in the riding of Lincoln and one in Niagara Falls, were employees of street railways originally and then street bus lines which were operated by the Canadian National. The employees were included in the pension plan as is every other employee of Canadian National Railways.

About two years ago Canadian National decided to abandon its franchise in the city of Oshawa. It gave notice to this effect and a private bill had to be enacted in order that

the municipality could take over the operation of the buses. The same thing happened in Niagara Falls and in Stamford in the riding of Niagara Falls last year. At that time, before I came to this house, I drafted a private bill which incorporated the greater Niagara transit commission and I dealt in some detail with the matter of the pensions of the employees who were suddenly thrown out of work by the actions of the C.N.R.

Very shortly, Mr. Speaker, on the 1st of September the same thing will occur in the riding of Lincoln where the city of St. Catharines has received notice from the C.N.R. of the abandonment of its franchise. That city is now required to seek special legislation to set up its own transit commission and, if possible, to employ those who are no longer employed as bus drivers by the C.N.R.

Under the provisions of the pension plan there are two types of pensions. One is payable by the C.N.R. in the amount of $25 a month whether or not there has ever been any prior contribution and each of these employees is, of course, entitled to that. This is a maximum of $300 a year. There have been other pension plans set up, however, and that most recently in effect is a contributory one. I should like to refer to the pension plan booklet which is issued to employees coming under the plan and which contains questions and answers with respect to the rules. I have reference to rule 11 and in the booklet there is the following question:

What do I receive if my service is terminated?

This is the answer:

If your service is terminated and you do not qualify for pension benefits, your own contributions will be refunded, together with interest to the date your service is terminated if that date is a year or more from your last entry into service. Your service will not be considered terminated if you are laid off but only when you leave or are discharged.

There is no provision within the pension plan for service which is discontinued and is not replaced. Because the C.N.R. has no comparable service anywhere else in Canada, it is not possible to retain these people in service, and only a very few out of the three groups in Oshawa, Niagara Falls and St. Catharines have been retrained and used elsewhere.

The problem is, of course, that when a municipality is called upon to give a bus service and sets up its own transit commission it does not do this as a profit making venture. Indeed, no municipality would go into the field if there were any way of avoiding it. The ground upon which Canadian National has abandoned these services is that they are uneconomical. Although the municipalities have tried very hard, they have been unable to find anyone who will undertake the service or incorporate a new company and operate the service unless it be done under a subsidy. Because it is not considered a good proposal, all three municipalities in question have in fact set up their own municipal corporations to operate these bus services. They are asked to take over the employees of the C.N.R. who, at a time of great unemployment in southern Ontario, are without employment and without any hope of employment. Some of these people, Mr. Speaker, as of the time they are laid off are only a matter of weeks away from regular retirement on a full pension.

I think everyone in the house knows what the problem is, how are these people to retain the benefits of the pension to which they have contributed for many many years? When they are retired they receive payment of their contributions with interest, of course, but they are not able to take this amount and enter into a brand new pension scheme with their new municipal employers and obtain the same benefits at the same date of retirement.

Representations were made in Oshawa and strenuously in the Niagara area and have been going on for months now. In fact, solicitors on behalf of the unions and solicitors on behalf of the city have attended on the Minister of Transport and the president of Canadian National Railways with requests that some consideration be given in this regard. I raised the matter in the sessional committee and I was told at that time that it was being considered. In fact it had been considered on two prior occasions and both times the portability element was rejected.

At this time there is only a matter of a few weeks remaining in which some action may be taken in order that the pension portion paid by C.N.R. into the fund or at least credited as a bookkeeping entry shall be transferred to a new pension scheme to be operated by the municipality. If not, Mr. Speaker, the result will be that another set of taxpayers, the ratepayers in the communities of St. Catharines and Niagara Falls, will themselves through their taxes be required to subsidize the new pension scheme. This means, of course, that the subsidy principle which Canada has adopted and which we are furthering in this bill, whereby the cost of C.N.R. services across the country is borne by all Canadians, will have been breached for there will be a shifting from all Canadians to individual Canadians in a particular limited area. The position taken by the union, and I respectfully suggest to the house it was a proper one, is that the

amounts paid in on behalf of the employer, the Canadian National, are amounts which were in effect fringe benefits to the employees, and having been paid in they are part of the wages to which those employees were entitled.

The minister said in his budget speech that he approved of the principle of portability. I ask the minister to consider that here is perhaps the first place within the government service that portability might be applied. There is, Mr. Speaker, little more that I can say in respect of this. These requests have been taken to the Minister of Transport, to the house, to the committee and to the president of Canadian National. This is a matter which applies to a limited number of people and which has worked a very great injustice. It will further work a great injustice upon these people in the community who may now have to take on these former employees in a new service. I ask the Minister of Finance to consider the appropriateness of this subject since he, and the right hon. gentleman who shares his seat, have already taken a position in respect of other pensions, and about getting rid of these other pensions.

Is the fact that the government stood idly by and allowed these 75 people to have their pensions taken from them, some indication of what the government intends in respect of the governor of the Bank of Canada and other senior civil servants, as was reported in this evening's *Journal*? If so, not only are these railway employees now without jobs in my area to be frightened that all the money they have paid into the pension has gone for nothing, that their contractual rights are disregarded by the government, but other senior civil servants in the service of Canada must also fear whether what they have paid in by way of contribution in the past will be, by this government which has paid lip service to the bill of rights, disregarded in the same way.

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, I am rising to support the position taken at the beginning of the day on this measure by the hon. member for Laurier. I refer to the disgraceful attitude of the government with respect to Mr. Donald Gordon and the directors of Canadian National who, for nine months and eight days, have been kept in suspense as to whether or not they are to retain their positions.

Yesterday in this house we watched the leader of the government wield the axe. Today, we are discussing a genlteman who has given long and great service to this country, who for nine months and eight days has been kept under suspended sentence, not knowing upon which day the axe will strike his neck or whether he may get another reprieve. How anyone can expect the greatest railway on the North American continent to be run well under circumstances of that sort, I cannot understand and neither can any other reasonable person in this country. It is just more evidence, if any more were needed, of the total incapacity of Her Majesty's present ministers to come to any decision on anything except when the Prime Minister gets into one of those hysterical rages and makes a decision, as he so obviously showed yesterday had happened in the case of the governor of the Bank of Canada.

The position on which I rest our case is the position of the hon. member for Laurier. It is this parliament that is sovereign and not the right hon. gentleman. It is this parliament that is in final control of the affairs of this country and not the right hon. gentleman and his messenger boy colleagues. It is this parliament that has a right to know how all these affairs are going to be carried on before money is voted. It is this parliament that has the right, before hundreds of millions of dollars are committed to a company, to know who is going to be the head of that company. As the hon. member for Laurier has said, we only know who will be the head perhaps until Monday. I do not suppose the government will have a cabinet meeting on Sunday and change the head of the railway, although they might. If they act in the way in which they usually act, they will wait until parliament is out of the way before they do this. They will show the respect for parliament which they have shown in every other matter, and which they showed when the Minister of Finance tried to go behind the back of parliament on another occasion about an officer who was responsible not to him or to the government but to parliament, and tried to subvert the rights of parliament.

The president of the Canadian National is in a different category. The president of Canadian National is the head of a crown company, but not an officer of parliament. The government, it is quite true, has the right, under the statute, to appoint the chairman; but we, sir, this sovereign parliament, have the right to know who that chairman is going to be, and whether or not we should give confidence to a government that appoints that kind of chairman before we are asked to vote this kind of money. This is the principle of responsible government. We heard language yesterday in this house, and if we had closed our eyes, it would have sounded like language that was heard before 1939 in the Reichstag.

Mr. Speaker: The hon. member is making about as many references to the debate of yesterday as he is to the bill. By doing so he invites reply in connection with yesterday's debate which has been concluded. I would trust the hon. member would confine himself to the Canadian National Railways, its direction and management of affairs.

Mr. Chevrier: I rise on the point of order, Mr. Speaker, to bring to your attention the fact that this morning, on an earlier occasion, the Speaker who occupied the Chair permitted a number of references in order to draw a parallel between what was happening in this case and what was happening in other cases. There was a long harangue in connection with the point of order, but it was allowed. I bring it to your attention now so that there will not be two rulings on the subject matter. I submit with deference to Your Honour that—

An hon. Member: Six o'clock.

Mr. Chevrier: —the hon. member for Bonavista-Twillingate is in order, and is doing exactly what I was allowed to do earlier today.

Mr. Speaker: It is six o'clock.

Mr. Pickersgill: I may call it six o'clock, now.

BUSINESS OF THE HOUSE

Mr. Chevrier: May I inquire from the house leader what the business will be on Monday?

Mr. Churchill: On Monday we will start with the income tax bill, followed by the one we are on now, the Canadian National financing bill; then, the resolution concerning dominion-provincial tax-sharing arrangements. If that is completed, then we have the Civil Service Act and interim supply. I propose moving, either Monday or Tuesday, if we are still here on Tuesday, concurrence in the report on procedure which was tabled today.

May I just add that when I mentioned the Income Tax Act, this is not now under the restriction which I mentioned for today, which was on the basis that if we adjourned today we would go only as far as second reading. Not having adjourned today, we shall continue with all stages of that bill.

Mr. Chevrier: On that point, Mr. Speaker, I would bring to the attention of the house leader the statement which he made during the course of the debate yesterday when he rose on business of the house to say that all stages of this bill would not be taken, but to indicate that second reading only would be taken and it would not go into committee.

Mr. Churchill: It was dependent on adjournment tonight, and the adjournment did not take place tonight for reasons which are well known to the entire house.

Mr. Fleming (Eglinton): An all-day filibuster here.

Mr. Chevrier: The adjournment did not take place tonight for the very simple reason that this house had a perfect right to deal with the measure before it—

Mr. Fleming (Eglinton): An all-day filibuster.

Mr. Speaker: Order.

Mr. Chevrier: I submit, with deference, sir—

Mr. Harkness: The Speaker is on his feet. Can you not observe the rules?

Some hon. Members: Sit down.

Mr. Chevrier: I intend to—

Some hon. Members: Sit down.

Mr. Ricard: The Speaker is on his feet.

An hon. Member: Filibuster.

Mr. Speaker: Order. Would the hon. member permit me. A debate is not permissible at this stage of the day. The house leader expressed an intention with respect to the income tax bill. If there is further discussion of the matter I suggest it be taken up when the bill comes before the house.

Mr. Chevrier: Mr. Speaker, surely I have the right to ask a question—

Some hon. Members: Six o'clock.

Mr. Chevrier: —and indicate to the leader of the house—

Some hon. Members: Six o'clock.

Mr. Chevrier: —that he is saying today the exact oposite of what he said yesterday, because yesterday he said that—

Mr. Speaker: Order.

Mr. Harkness: Order. The Speaker is on his feet again.

Mr. Speaker: Order. I thought the hon. member had commented on the position taken by the leader of the house that the arrangement announced the day before referred only to the possibility of adjourning today. If the hon. member wishes to say something further about that, I shall hear him; but I understood him to be arguing in order to justify something else that had nothing to do with the business of the house.

Mr. Chevrier: I was asking the house leader—and with your permission, Mr. Speaker, I will ask him now—why he has reversed his position from yesterday, wherein he stated that we would not take all stages of this measure but just second reading, and would not go into committee.

Mr. Churchill: I have given the reason. It was based on the supposition that we might adjourn today. We have not adjourned today. Therefore that business does not hold for next week.

Mr. Chevrier: You cannot make your mind up on anything.

Mr. More: We can make up our mind when you make up your mind. You do not know what you want to do. You are waiting on the Senate.

An hon. Member: Run by a bunch of senators.

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

HOUSE OF COMMONS

Monday, July 10, 1961

The house met at 11 a.m.

INCOME TAX ACT

Hon. Donald M. Fleming (Minister of Finance) moved the second reading of Bill No. C-120, to amend the Income Tax Act.

He said: Mr. Speaker, I think I need make no more than a very brief statement on this motion for second reading, because the bulk of the discussion on this bill will no doubt occur in the committee. I have already given the house notice of four amendments which will be introduced at the committee stage. I should like to mention one other that I am sure will greatly shorten the committee's labours.

One matter which has occupied a prominent place in the bill is a proposal to amend certain sections of the Income Tax Act in relation to personal corporations. To facilitate further study of the subject and the passage of this present measure, when we reach the committee stage I shall be proposing that the provisions of the bill in that regard be dropped. There have been some representations respecting this subject indicating that various groups would like further time to study the provisions in that regard; therefore I shall be proposing that they be eliminated from this bill. At the same time I shall be asking interested groups, the usual professional groups and others, to study these clauses and make their representations and suggestions based thereon after a careful study of the subject. Those representations will be welcomed and will be made use of in the future for the guidance of those concerned in considering proper legislative amendments affecting our present act.

Mr. Chevrier: What clause?

Mr. Fleming (Eglinton): Clauses 23 and 24 of the bill. There are one or two incidental amendments which follow.

I trust, Mr. Speaker, that these proposals will facilitate discussion of the bill. I may say the bill was introduced in the house a week ago. We have had the benefit of the usual conferences with representatives of the legal and accounting professions. We are always grateful to those groups for the assistance of their skilful examination of these legislative proposals and the benefit of discussion of them with such persons.

I think, Mr. Speaker, all other matters that are dealt with in the bill can more properly be discussed at the committee stage.

Mr. W. M. Benidickson (Kenora-Rainy River): Mr. Speaker, the announcement just made by the Minister of Finance is something of a shocker, because when he introduced his budget resolutions on June 20 he indicated that among the considerations that had had most careful review were those that related to personal corporations. I would have assumed that because the amendments proposed in the bill before us relating to personal corporations cover many pages, the department would have given all the implications a great deal of study before bringing forward the amendments introduced on June 20.

In addition, we know that since June 20 the minister has announced three or four further amendments that will be before us when we are in committee today, all of them indicating changes of mind. But this one which involves many pages of this 36-page income tax bill apparently is the result of a decision that has been made over the week end. I say this is typical of the lack of preparation on the part of the government in the presentation of legislation to this session of parliament.

Apart from the very extensive legislation with respect to personal corporations, I take it that the amendments in the bill before us are chiefly concerned with proposals in respect of profit sharing plans. This, of course, is another matter upon which the government have delayed. They introduced a bill in 1960 and asked the public and those concerned to make comments upon the draft bill in the intervening period. We do not have a separate bill before us with respect to deferred profit sharing, but rather that matter is incorporated in amendments to the Income Tax Act this year. These appear to be desirable and acceptable, and a great many of the amendments in the bill appear to relate to changes consequent upon that decision. Apart from that, I must say that there is very little in the bill, lengthy though it is in text, that is argumentative.

I think the most significant thing is that in connection with incentives to industry, there is nothing in the bill particularly pinpointing incentives to exporters. In my opinion this is one place where anyone who was predicting

what the minister might do this year might well have been disappointed and, indeed, distressed.

We know that the government appointed a productivity council this year. We have heard very little from that council with the exception of some speeches that have been made by the chairman, but we know that the chairman has been emphasizing the necessity of giving special tax incentives to those engaged in the export industries. There is no provision here for those producing for external consumption that goes beyond the depreciation available to them as well as to producers for internal consumption, and which would appeal to us as satisfying the statement made by Mr. de Young in London, Ontario, on May 29, when he said that Canada should seriously consider adopting tax amendments that would provide incentives to our export industries on a basis comparable with what we know is enjoyed by our competitors in other parts of the world, particularly in western Europe. What is the purpose of setting up this new organization, the national productivity council, if this government in a long delayed budget is not going to take advantage of advice of this kind, which is among the immediate advice that so far has been made public arising from the setting up of the council?

In addition, we had a valuable study in a committee of the other place. I refer to the special Senate committee on manpower and employment. In a summary of their long and excellent work they place very heavy emphasis upon the importance of taxation incentives, in particular to encourage exports. I refer to page 5 of the report, where the following is found:

> Because of the immediate importance of such a new emphasis in industrial policy urgent consideration should be given to the possibility of establishing effective and practicable tax reliefs or tax incentives for the achievement of increases in the export of manufactured goods.

This government in its budget, rather than adopting a pinpointing effort such as has been prominently suggested for a long time particularly for export industries, has decided that its chief instrument in this field will be the exchange control fund. What have we to lose by giving special tax concessions to the export industries such as were suggested last year by the Leader of the Opposition, such as have been suggested by the Senate committee on manpower and employment, and such as have been suggested by the national productivity council? What have we to lose if the tax concessions relate simply to an increase in exports, something we have not experienced in the previous tax year?

In my criticism following the presentation of the budget on June 20 I indicated that we had had an instrument that had proven successful in the expansion of our resource industries, namely a three year tax exemption applicable to industries that were to be established. What have we to lose in this kind of incentive if we are encouraging industry that has paid no tax up to now and has received no encouragement to become established?

In his budget speech the minister referred to the depreciation allowances that were to be provided to the so-called depressed areas under the terms of his baby budget. I remind hon. members of the house of the comment published by the *Financial Post* to the effect that this did not involve very much incentive. Hon. members will remember the pertinent statement that it was felt that the only labour that was likely to be created by anything as insignificant as the incentives involved in the baby budget would be labour created in the civil service in connection with the examination of depreciation allowances of this highly involved and complex type offered to new industry.

In the recent budget an increase was made in the depreciation allowances extended to persons who are investing in machinery and equipment beyond their norm and beyond what they did last year. I commend the minister for that. In addition, special advantages are now allowed to encourage research. Again I commend the minister for that. However, I say this. After so many people seem to agree almost universally that some very carefully directed incentives should be provided to those who might increase their exports, to me it is very striking and very distressing to find in the budget no reference to this matter. Having regard to the very well known activities of the Minister of Trade and Commerce in this field in recent months, this omission indicates to me that he apparently lost a fight with the Minister of Finance—

Mr. Fleming (Eglinton): There was no fight.

Mr. Benidickson: —in cabinet. The Minister of Finance, facing a deficit, apparently won in the desire to hang on to dollars in tax revenues and the Minister of Trade and Commerce, who has wanted to increase exports from this country, has apparently lost in that internal fight. I say this is very significant.

Mr. Fleming (Eglinton): There was no fight.

Mr. Benidickson: The minister then, in so far as export industries are concerned, is depending simply on what I call the main item of his budget, namely his decision to flip flop and somersault; to say that what he said

last year was invalid; and to say that this year the proper thing is to gamble or speculate on the exchange fund and to depreciate the Canadian dollar, and that this is a policy to be preferred to that of some special tax incentives to the export industries.

I say that again we are in the dark. Last week's press indicated that this agency of the Minister of Finance, namely the exchange fund, seemingly is not operating in a complete spirit of harmony with the language of the budget when the minister said he wanted the dollar to go to a significant discount. There is evidence that the administration is doing the very opposite, that it is trying to prevent the dollar from going to a significant discount, and that it is using the funds of the exchange control board for that purpose. Inasmuch as we have not in the Income Tax Act the kind of amendments we were expecting for the encouragement of exports, I say that we are entitled to hear from the Minister of Finance some reference to this matter.

Then I think there is across the country great concern about the publicity that has been given to the administration of the Department of National Revenue in relation to assessing the proper deductions for church gifts. As recently as last week, on July 6, it was indicated in *Le Devoir*—

Mr. Fleming (Eglinton): Mr. Speaker, I rise on a point of order. There is in this bill nothing to which that subject is related. That surely is a matter for the estimates of the Department of National Revenue, if my hon. friend wishes to raise it. This bill has nothing to do with the Department of National Revenue. It is simply a bill to amend the Income Tax Act.

Mr. Benidickson: As Your Honour knows, when we receive an amending bill we are certainly entitled to consider those suggested amendments that are in the bill, but surely we are also permitted to comment upon the things which should be in the bill but which are not in it. It is in this respect that I say what is being done administratively, without an amendment to the act, which might be changing practice under cabinet order in council or otherwise gives ground to this kind of press comment.

Mr. Deputy Speaker: Is the hon. member continuing his speech, or is he discussing the point of order now?

Mr. Benidickson: I was discussing the point of order.

Mr. Deputy Speaker: If the hon. member has something to add I will hear him.

Mr. Benidickson: That is my point of order; that this is very important in connection with the revenues which might be raised as a result of our income tax statute. I suggest to Your Honour that when we find significant comments across the country—I could quote from a great number of newspapers which have been asking about this subject within the past two or three weeks—this is a time for the House of Commons to ask the minister what will be realized in tax revenue under our income tax statute by reason of the regulations which are passed by order in council under the act, and by reason of the policy of those who collect income tax for us in the Department of National Revenue. If there is to be a significant change in the maximum allowance with respect to gifts which will be counted as charitable donations, I say this is the time when the minister should be asked about it.

Mr. Fleming (Eglinton): I say at once that there is nothing in this bill which touches on that subject at all. This is a bill containing certain amendments to certain clauses of the Income Tax Act. My respectful submission is that such subjects as the hon. member now proposes to discuss are altogether outside the realm of relevancy in this debate. The hon. member will have his opportunity to raise such questions on the estimates of the Department of National Revenue.

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, I should like to make an observation or two before you make your ruling on this important point. My hon. friend from Kenora-Rainy River put the whole matter in a nutshell when he said that on an act to amend the Income Tax Act following the budget it is surely not to become the doctrine of the minister and certain hon. gentlemen on the treasury benches that we are not to be allowed to point out deficiencies, any kind of deficiencies, we think there are in the amendments that are being offered. The suggestion that the scope of our debate in this house should be limited to what hon. gentlemen sitting on the treasury benches think we are entitled to speak about and nothing else is preposterous.

I have in my hand, sir, something which I happened by sheer chance to have, and it is relevant to this very point. This is a report which appeared in the Halifax *Chronicle-Herald* of March 22, 1957 of a speech made by the present Prime Minister when he was leader of the opposition. It is headed "Parliament Puppet of Few Cabinet Ministers". The Minister of Finance, by saying we can only discuss what he in his wisdom thinks we should discuss and what he has chosen to put in this bill, is trying to make parliament a

puppet of one cabinet minister and to abridge our freedom of speech. It is just another example of that same kind of dictatorship—

Mr. Deputy Speaker: Order. The hon. member for Bonavista-Twillingate realizes, I suppose, that he is not addressing himself to the point of order at all.

Mr. Pickersgill: Precisely.

Mr. Deputy Speaker: The hon. member has not discussed the question of relevancy. He has discussed the attitude of the minister—

Mr. Pickersgill: I have a few words to say on the point of relevancy.

Mr. Deputy Speaker: I should like to hear the hon. member on that.

Mr. Pickersgill: My hon. friend sought to say—and I was listening to him with care and attention—that certain administrative changes with regard to income tax appear to be in process without any legislative basis. He was contending that if such administrative changes were to be made there should be a legislative basis for them, and that this basis should be in the present bill. Surely nothing could be more relevant than that.

Mr. Erhart Regier (Burnaby-Coquitlam): I believe it has long been accepted in this house that at the resolution stage which in most cases precedes a bill such as this hon. members have the right to propose matters which in their opinion ought to be contained in the bill when it is brought down. I believe, also, that hitherto it has always been accepted that on second reading of a bill, the stage in which we are now engaged, members are permitted wide leeway to express their regret at the exclusion of matters which in their view ought to have been contained in the bill but which in fact are not contained in it.

As I understood the tenor of the comment of the hon. member for Kenora-Rainy River, it was an expression of regret that measures which in his opinion ought to have been contained in the bill are not to be found in it. I agree that when we reach the committee stage we are usually tightly tied to discussion of what actually appears in the bill itself, but if hon. members will recall such occasions as the famous pipe line debate, and many other occasions, they will realize that while we were discussing the principles of the bill we were also permitted to express our regret that certain other matters were not included in the measure before the house.

Hon. Howard C. Green (Secretary of State for External Affairs): I should like to say a word or two on this point of order. It is perfectly obvious what the hon. member for Kenora-Rainy River is trying to do. He is trying to drag in something which has absolutely nothing to do with the bill now before the house. Now the hon. member for Burnaby-Coquitlam tries to drag in the pipe line debate in support of the hon. member's contention that he is in order. I suggest this is going from the sublime to the ridiculous.

The house is now considering a particular bill, and if it were permissible for hon. members to raise any other points they pleased with regard to income tax, dealing with subjects not dealt with in the bill, there would be absolutely no limit to the scope of the debate. To allow a discussion of that kind would be to reduce the rules to a farce, and I submit to Your Honour that the statement made by the Minister of Finance in this regard is absolutely correct.

I do not know whether it is because at one time he was secretary to the late Right Hon. William Lyon Mackenzie King or whether it is because at one time he was clerk to the privy council, but the hon. member for Bonavista-Twillingate considers himself to be a great authority on the House of Commons, on the rules and on everything else in public life in Canada. I suggest that today he is going much too far, and that he would be wiser to get back in his proper place and not make such a show as he has made of himself today and on previous occasions in the last few weeks.

Hon. L. B. Pearson (Leader of the Opposition): On the point of order, it certainly would be reducing the rules to a farce if those rules were interpreted in the way in which the hon. gentleman has suggested they should be interpreted, namely in a way which would prevent the discussion, on an income tax bill, of those matters which have traditionally been the subject of discussion on the second reading of such a measure. I cannot understand why hon. gentlemen opposite should be trying once again to limit and prohibit discussion of subjects which are appropriate for discussion on a bill of this kind.

Mr. M. J. A. Lambert (Parliamentary Secretary to the Minister of National Revenue): I think the Leader of the Opposition and those supporting him would agree that if we were to follow their suggestion that the introduction of a bill containing, say, one clause dealing with the Income Tax Act would open the whole of the act to a general, wide ranging discussion, the house will be left in an impossible position. That has never been our practice. Certainly the rules of relevancy are being breached here, and I submit that only the items in this bill are capable of being discussed.

Mr. Pickersgill: That is true in committee.

Mr. Benidickson: It is not true of second reading.

Mr. Deputy Speaker: Before dealing with this point might I just mention that there is a tendency, when discussing a point of order, for hon. members to discuss extraneous matters. Also, I should like to indicate that it is the duty of hon. members to raise points of order so that the rules may be applied. I do not think it is appropriate to criticize hon. members for bringing forward points of order assisting the Chair to apply the rules.

In connection with the point of order which has been raised, I have been attempting to find some reference in May which indicates that on second reading amendments are admissible to a bill which introduce matters which are relevant to the bill. Reversing that principle, I think hon. members will agree that a discussion in relation to matters which cannot be the subject of amendments would be out of order.

The principle of the bill before us is to be found in the various clauses of the Income Tax Act which are proposed to be amended. It has been decided on several occasions that an amending bill does not open a discussion in respect to the full act to be amended, but only a discussion in respect to the sections of the act to be amended.

Hon. members may feel that they would like to discuss other problems, but I should like to remind them that during the debate on the budget, for instance, there was occasion for such a discussion in relation to subjects which were not touched upon. When a problem arises as to the administration or insufficiency of an act, a further opportunity for discussion is afforded when the estimates of the particular department concerned are before the house.

While I do not suggest one should use a knife to draw the line, I would say that in respect to matters of relevancy such as this —I am not enunciating anything new—I think the hon. member for Kenora-Rainy River is going somewhat outside the scope of the bill in discussing provisions which are not proposed to be amended, but which he would like to have amended. I refer hon. members to a decision by Mr. Speaker Macdonald on November 14, 1949, as reported in *Journals* of the House of Commons for that year at page 237, which reads in part as follows:

> On the second reading of an amending bill—(honourable members will notice that this is an amending bill)—it is the principle of the amending bill, and not the principle of the act to be amended, which is the "business under consideration". The discussion must therefore relate exclusively to the principle of the amending bill.

The principle of an amending bill may not be found in a section of the act which is not being amended. I also refer to a decision by Mr. Speaker Michener on December 13, 1957 during the consideration of a motion for second reading of Bill No. 232, to amend the Income Tax Act, as reported at page 2313 of *Hansard* for that year. It reads in part as follows:

> This is an act to amend the Income Tax Act and it is relevant, as I understand the precedents, to discuss the sections of the Income Tax Act which are to be amended by this bill but not to review the act as a whole.

I therefore do not feel I need add anything further to indicate the general scope of the bill to hon. members, and I think the discussion should be limited to those subjects found in the bill proposing amendments to the Income Tax Act.

Mr. Benidickson: Mr. Speaker, I should like to address myself to your ruling, with all respect, in respect to the principle of the bill. I should like Your Honour to indicate to the house what principle can be found in the bill which is amending, helter skelter, a number of sections of the Income Tax Act. I remind Your Honour that this amending bill was preceded by a resolution presented on budget night, and as a preliminary to the introdution of this resolution there is a statement which reads:

> Resolved,—that it is expedient to introduce a measure to amend the Income Tax Act and to provide among other things—

It has been traditional that among the other things we will find when the bill comes forward, as we did only two weeks ago, there are items not exclusively connected with the enunciations made in the resolution on budget night. I find it impossible in this amending bill to find anything to which Your Honour refers as the principle. While I realize Your Honour's purpose, sometimes in an amending bill we find there is a principle involved, but can Your Honour indicate to us now any principle involved in this amending bill other than the principle that the Income Tax Act has to be amended once a year? When the act is being amended surely it is proper for us to comment upon those things which are not referred to and not being amended, particularly when there is no striking principle among the multiplicity of amendments that appear in the bill amending a statute which involves nearly 100 sections?

Hon. J. M. Macdonnell (Greenwood): Mr. Speaker, would the hon. member permit a question. Supposing we had a bill with only one clause amending only one section of the Income Tax Act. Does the hon. member suggest that would entitle hon. members to range over the whole act asking questions about

and suggesting recommendations to every section? That seems to be what he is arguing.

Mr. Benidickson: Mr. Speaker, I have been asked to answer a specific question by the hon. member for Greenwood. Perhaps he might define the principle contained in this amending bill. I suggest that we have never, to my knowledge at any rate, under the universal requirement of amending the Income Tax Act and making a great number of changes, many of which are not simply in respect to tax rates but relate to administration and interpretation of law with respect to the Income Tax Act, been prevented from discussing such matters. I suggest the hon. member's question is irrelevant because he knows, as a result of his experience during all the time he has been here, that there never has been an amendment to the Income Tax Act after a budget speech which has been confined to one section or could be regarded as involving one obvious principle. I suggest the bill presently before us involves a conglomeration of amendments. If the hon. member can tell me what the principle is which is involved, I should like him to do so.

For the reasons I have given I submit that omissions should be referred to. The parliamentary secretary to the Minister of National Revenue has intervened. I am glad to see that he is in the house, because he will have an opportunity to speak on second reading today in the absence of the minister, who we all regret is away due to illness. I think it is very important that when we are considering ways and means of amending the Income Tax Act, which affects our ultimate revenue, opinions as to how revenue should be raised should be considered in fairness to us all. When a statement is made indicating that the administration is proposing something new, which I think is consequential, and when it is reported in the press that income tax inspectors have set a maximum of $300—

Mr. Green: Mr. Speaker, on the point of order, the hon. member for Kenora-Rainy River is now going to make the speech he commenced to make, on which you made a ruling. I suggest he is now ignoring your ruling; that he has attempted to have you change your mind and has now reverted to his main argument. I submit that upon your ruling the point of order was dealt with, and that the hon. member has no right whatsoever to go ahead now dealing with this subject. Surely when Your Honour makes a ruling that should be final.

Mr. Benidickson: Oh, no.

Mr. Green: The hon. member should not be allowed to continue arguing about the point of order after your decision has been made.

[Mr. Macdonnell.]

Mr. Pickersgill: Mr. Speaker, the Secretary of State for External Affairs has now raised a new point of order. It is interesting to hear the Secretary of State for External Affairs say that he remembers what happened in 1956, when his party was in opposition, and that the Speaker's decision should be final. That is a view I have always held, but it is not the view that hon. gentlemen opposite have held.

On the point that my hon. friend from Kenora-Rainy River made as to the principle of the bill, which was the point Your Honour was considering in the statement Your Honour made for the guidance of the house—and I did not understand Your Honour made a ruling; Your Honour simply indicated the lines on which he thought the debate ought to proceed—it seems to me that the hon. member for Kenora-Rainy River made a conclusive case that the only principle in this bill, and the only possible principle one could find anywhere, is that the Income Tax Act is not perfect as it is now and ought to be amended in a number of particulars which are set out in 36 pages. Surely the opposition, if it is to have any rights, has the right to say on the principle that these are not the right amendments, that there are other amendments which are more desirable than these. Otherwise, sir, what is debate? If we have simply to niggle about the clauses of the bill on second reading, why do we not just go into committee and have no second reading? Surely the purpose of second reading is to debate whether the bill itself is adequate. My hon. friend is seeking to show that in one particular respect this bill is inadequate, and shockingly inadequate; and the Minister of Finance, as is his habit in this house, is seeking to gag him.

Mr. Deputy Speaker: Order. Is the hon. member speaking on the point of order?

Mr. H. W. Herridge (Kootenay West): Yes, Mr. Speaker, I sat here very quietly but I could not resist rising and saying something in support of the previous speaker. I do not think in fairness the minister and the Secretary of State for External Affairs should try to narrow the discussion on second reading of the bill at this time, which is quite out of keeping with the practices of the past.

I agree with what the hon. member for Bonavista-Twillingate said with respect to the principle. You, sir, made reference to the principle of the bill, but there is no specific principle. This bill amends the Income Tax Act. I want to bring to your attention the fact that surely we must have the opportunity, in dealing with this legislation, to suggest that there are deficiencies here and there.

For instance, clause 9 provides certain exemptions for a spouse and dependents. Surely we have the right to say that aunties should be included as well. Certain business expenses are permitted to be deducted. I should like to see the travelling expenses of certain employees included. Surely we have the right to make suggestions as to further additions and amendments, and are not restricted to saying "amen" to each clause as it comes before the house.

Mr. Deputy Speaker: I thank the hon. member for Kootenay West for his assistance. I think he has said something that is true, and I shall come back to this later, but I should like to deal first with the points raised by the hon. member for Kenora-Rainy River who asked what is the principle of an amending bill. Well, there may be as many principles in an amending bill as there are clauses amended or new clauses inserted in the act. For clarification of the point I would venture to say that it is not necessary to enumerate them all. For instance, there is a clause which would allow a deduction on account of expenditures for scientific research up to 5 per cent of the taxable income. That is a principle. There may be another one in the amendments which provides a new manner of taxation of shareholders of personal corporations.

In connection with these matters, the hon. member for Kootenay West has said that the house does not have to say "amen" to each clause. For example, in dealing with clause 25, if he said that we should allow up to 10 per cent instead of 5 per cent for scientific research, then he would be in order because he would be dealing with something which is in the act. But the hon. member for Kenora-Rainy River wanted to discuss clauses which are not amended, and say he is disappointed because the amending legislation may cover more subjects than the resolution did.

The subject matter before the house is certainly this bill and nothing else. There will be other occasions to discuss other matters. Only on Saturday I said the main difficulty is that hon. members do not want to discuss the problems at hand but always want to discuss something other than the business before the house. I think I have made myself clear, and I should be understood by all hon. members.

Mr. Benidickson: Mr. Speaker, I think that is rather a narrow decision. However, I will confine myself to it at the moment. I simply make the observation that this certainly was not the practice in the past.

Mr. Fleming (Eglinton): It certainly was the past practice.

Mr. Deputy Speaker: Order. The hon. member should not discuss a decision of the Chair. Since he has brought up the point may I remind him that I quoted a decision of Mr. Speaker Macdonald.

Mr. Benidickson: Not on income tax bills.

Some hon. Members: Order.

An hon. Member: Are you questioning it?

Mr. Benidickson: Yes. I will say that here is a Minister of Finance who has said that he had not, when he was on this side of the house, adopted the style of debate that I have adopted. I say that is wrong. I recall very clearly when on an income tax bill he protested very vigorously that it did not include the exemption from sales tax of boots and shoes for children; that the exemption for married people should be $3,000.

Mr. Deputy Speaker: Order. I hope the hon. member will come back to the bill. The point of order has been dealt with.

Mr. Benidickson: Mr. Speaker, I continue to say that certain other matters should be included. Before the minister concludes the debate on second reading we should hear from him about those matters.

In his budget speech the minister referred to a tightening up of certain exemptions, and I approve of this course. The reference was to the tightening up of certain exemptions that may have been claimed for business expenses and so on. Inasmuch as the minister dealt with these things in his budget speech, I would hope we might hear from him about them, because there is nothing in this bill relating to them. This is administrative.

The crown is employing legal agents to prosecute people for tax evasions, and this is vital to every clause of the bill. We have to know the type of enforcement that will be applied to make sure that the law that is passed by us here is going to be enforced in a certain manner. In connection with tax evasion in an important case—

Mr. Deputy Speaker: Order. The hon. member cannot discuss the problem of tax evasion unless the amendments bring new problems in this respect. I do not know whether I am correct, but it seems to me that the hon. member is referring again to the problem which brought on the point of order and the decision of the Chair.

Mr. Benidickson: No, Mr. Speaker, I was not referring to the previous item. I am referring to an administrative application and enforcement of tax laws which will relate to every clause in this bill. Some of these clauses

impose new taxation. We all know in connection with these matters that in a small percentage of the cases there is tax evasion. We want to know whether there is going to be something new in the matter of investigation, prosecution and other relationships connected with all the clauses of this bill which impose new taxation. A representative of the crown in a recent prosecution said it is very likely that prosecution by indictment, which carries with it a mandatory jail term on conviction, will be the procedure in the future in cases of tax evasion.

Mr. Fleming (Eglinton): On a point of order, Mr. Speaker—

Mr. Benidickson: I think we are entitled to know whether that is going to be so.

Mr. Fleming (Eglinton): —there is nothing in this bill that relates to that subject, and the hon. member is talking about something that was said in the budget. Everything that was said in the budget does not become relevant to this particular bill. We have already disposed of three bills that arose out of the budget. They cannot be discussed again, and there is nothing in this bill that touches on the subject that the hon. member insists, in defiance of your ruling, in trying to smuggle into this discussion.

Mr. Deputy Speaker: Order. I was listening to the hon. member to see if he was going to be able to relate his remarks to any of the amendments but, as I think I indicated before, unless there is a new problem concerning evasion of tax which is brought in by the amendments, it would not be relevant.

Mr. Benidickson: Mr. Speaker, I submit with respect that my comment is relevant with regard to every section of this bill which imposes a new tax. We want to know whether the method of enforcement is going to be different. Is there going to be prosecution by indictment with a mandatory jail sentence in connection with tax evasion? Again you have ruled that is not in order, but I think it is something that the minister should very properly explain to the house when he replies to the general debate on second reading of an omnibus bill to amend the Income Tax Act. This is our best opportunity to get information on a subject of this kind.

I have indicated that we deplore the fact that many changes that we expected would have been made are not in the act. These relate chiefly to the export industries. I have indicated, and the minister took no objection to this, that as an alternative he was relying on a reference to the exchange fund. I want to say that the exporters association has gone on record as saying that the uncertainty of reliance on an exchange fund that has no fixed rate is something of which they do not particularly approve. They approve, as we do, of a depreciated dollar which will give them some advantages in the export field.

I say that we could have had amendments in tax rates which would have applied to new businesses, just as we have depreciation rates changed with regard to greater than normal new plant purchases. I say that there is great alarm and uncertainty in the country about the future of the exchange rate, and it is rather distressing that the bill contains nothing to afford assurance to our exporters along the lines urged by the Senate manpower committee, by the Leader of the Opposition last year, and even by the chairman of the national productivity council.

Mr. Erhart Regier (Burnaby-Coquitlam): Mr. Speaker, in the light of your ruling all I can say at this time is that this is the first time in my memory that in the debate on the bill to amend the Income Tax Act we have been unable to propose alternative ways in which we think the Income Tax Act should be amended. I must agree with the opening contention of the hon. member for Kenora-Rainy River that the amendments now before us are going to have a very limited effect indeed. I rather doubt the propriety of our even discussing the bill before us when I look at order No. 9 on today's order paper. That resolution is very closely connected in essence, if not in detail, with clause 13 of the bill now before us, and in my opinion we are being asked to approve a bill before the house has given its approval to a resolution that at least in essence is very pertinent to the measure now before us.

Under the particular circumstances in which we now happen to find ourselves, all I can say is that we will have to reserve our comments until we come to the discussion of each of the clauses of the bill in committee. However, the minister should know his own history well enough to appreciate that it is a rather unique situation that he should now ask us to abide by the rule he is seeking to have enforced, particularly on second reading of a bill to amend the Income Tax Act. I recommend that he read again all the speeches he made when he was the leading financial spokesman of the official opposition in debates on second reading of proposals of this kind.

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, I have a few observations of a rather different character to make about the bill, the most striking of which is that on Friday evening in this house the house leader invited us to co-operate in concluding

this stage of the session with a view to adjournment on Saturday evening, and said that if that co-operation was forthcoming the government was prepared not to go beyond second reading of this bill.

Let us consider what that really means. Let us consider what is involved. Here we have a government that started this session of parliament on November 17, 1960, a government that seven months and three days later finally got around to bringing down its budget, seven months and three days after the beginning of the session.

An hon. Member: Because you talk so much.

Mr. Pickersgill: Hon. gentlemen talk about those who talk so much. I suggest that they read their leader's speeches and those of the Minister of Finance in a certain debate in 1956. Where are these great champions of the rights of parliament now? They are sitting here day after day trying to gag parliament. That is where they are.

Some hon. Members: Oh, oh.

Mr. Pickersgill: I say, sir that seven months and three days after the opening of the session, an unprecedented period of time, they brought down the budget.

Mr. Fulton: The record is cracked and the needle is worn.

Mr. Pickersgill: Never before in the whole history of confederation have seven months and three days gone by between the opening of a session and the presentation of a budget so often expected and so often not presented for reasons that nobody could ever discern until long after other events had happened.

An hon. Member: Talk about the bill.

Mr. Pickersgill: Then what are we told? We also had an advertisement of the budget for this year, something that has never happened before.

Mr. Aiken: On a point of order, Mr. Speaker—

Mr. Deputy Speaker: Order. I doubt very much that the hon. member is addressing himself to the bill at all, because he is discussing the budget and the time at which the budget was presented. If he could relate his remarks to the bill I think it would be more in order.

Mr. Pickersgill: Mr. Speaker, I could quote May and I could quote Beauchesne but I am sure my paraphrase will be acceptable to you; that it is competent—I follow Your Honour's example given to us this morning —for us to debate anything which could be moved in amendment. I am discussing the circumstances surrounding the introduction of this bill into the house and its progress in the house, about which I could offer an amendment, about which I wish to make some observations and about which I may offer an amendment before I conclude. In order to lay the foundation for a possible amendment which I may or may not move, I feel I am perfectly entitled under the rules to discuss the attendant circumstances.

It is a practice of the house that amendments to the taxing laws are not made until after a budget, so that the budget is one of the circumstances attendant upon the introduction of any tax bill in normal circumstances, and certainly in this one. What I am talking about at the present time are those attendant circumstances, the circumstances which brought this bill before us. Surely, sir, nothing could be more relevant than that, particularly since Your Honour has ruled that we cannot discuss the principle of the bill, which is that the Income Tax Act is not perfect and ought to be changed.

What I am saying is that a week before the budget, on June 14, we were given an advertisement of the budget, also an unprecedented act. The minister came into this house and said that he was going to bring in an expansionist budget.

Mr. Fleming (Eglinton): No, I did not.

Mr. Pickersgill: Oh, yes; the hon. gentleman had better look at his words. He said "I am an expansionist and Mr. Coyne is a restrictionist; that is why Mr. Coyne has to go". That was what he said. This statement aroused the highest hopes, I think, that have ever been aroused in respect of a budget. This great balloon was inflated for a week. It was inflated after that statement; and as the Leader of the Opposition said, when the grand act was performed—and it was the longest, most tedious ever performed by any minister of finance—what happened? We found that the expansion was in wind, in words and in debt; that was the expansion we were promised.

Mr. Aiken: You are not helping it now.

Mr. Pickersgill: Nobody could help it; nobody could help this budget. It has sunk almost without a trace.

Mr. Aiken: On a point of order, Mr. Speaker—

Mr. Fulton: The hon. member is not doing badly at expansion himself.

Mr. Aiken: Since the budget debate has been concluded, I think the hon. member should return to a discussion of this bill. I

realize he has nothing to say about it, but surely he should try to relate his discussion to the bill.

Mr. Pickersgill: I was precisely going to say that the fact that the government was willing to go on a two months' holiday before passing this bill, as the house leader told us on Friday, is clear evidence that the budget has sunk without a trace. They were so ashamed of it they did not even want to proceed with this bill until they were taunted into doing so. When they were taunted about it they realized how silly they would look in the country if they did not pass the main tax bill arising out of the budget. I suppose it is the main tax bill. I do not suppose their king size cigarette bill is their main tax measure. Certainly there was not very much in the other two tax bills to give the Canadian people any comfort, except the one item that was forced upon them by the hon. member for Essex East, the removal of the tax on automobiles.

This is the main bill, the main vehicle for expansion, and what were they going to do with it? They were simply going to let it lie on the order paper while the Minister of Finance, the Prime Minister and the other exponents of this new expansion took a two months' holiday; that is what we were told on Friday. This illustrates the faith, the confidence hon. gentlemen have in their own proposals. This illustrates how important they consider this bill to be.

This is the income tax bill. It is not a customs bill or a customs tariff bill which in most of its features comes into operation on budget night. There might have been some faint excuse, not much but some faint excuse, for delaying one of these other bills, because the things such bills would do would be going on in any case. However, the provisions of this income tax bill cannot come into effect until it is passed. They are so ashamed of it, they think it matters so little, that they were quite willing to take a two months' holiday before bothering to get it passed, until it was pointed out to them how ridiculous they would make themselves look. This is the reason we are called upon to consider it now.

When we seek to point out how puny, how inadequate, how unrelated to the great problems of the day this bill is; when the hon. member for Kenora-Rainy River seeks to do that and point out how the really important things should have been tackled in this income tax bill, the Minister of Finance got up and said, "You have no right to say our bill is not a good bill. This is against the rules of parliament as we lay them down now. You have to talk about the things we have done and not the things that are not done."

Mr. Deputy Speaker: Order. The hon. member may not have intentionally reflected on the Chair but that is, in fact, what he did when he said the Minister of Finance was making the rules for the house. I can assure the hon. member that the Speaker is able to do his job in this respect, and I would ask him to clarify that remark.

Mr. Pickersgill: When my words are examined, sir, I do not think it will be found that I made any such suggestion or insinuation as Your Honour has indicated. If I did, I of course will abide by the rules. I can remember great ministers of finance in this house. I can remember Mr. Ilsley; I can remember Mr. Abbott; I can remember Mr. Dunning; I can remember Mr. Harris, and I have watched the debates during the period all those gentlemen were ministers. Never, during all the time there was a Liberal government in this country which believed in free speech, did I hear a minister of finance get up on the second reading of a tax bill to try to throttle discussion.

Mr. Fleming (Eglinton): I have. I heard Hon. Mr. Abbott raise the same point to the hon. member for Greenwood.

Mr. Pickersgill: Well, the hon. gentleman is great at assertions, but he finds it very hard to prove his assertions, as recent events have shown, particularly when incontrovertible evidence of the hon. gentleman's failing recollection is brought to the attention of the house. If the hon. gentleman can find one such passage in *Hansard* I will apologize to him. However, I will be very surprised indeed if he will find that on the second reading of a bill, any of his great predecessors sought to prevent members from criticising the bill in respect of its inadequacies or deficiencies or those things that were left out.

Mr. Fleming (Eglinton): You are hedging now.

Mr. Pickersgill: No, I am not hedging. What the hon. gentleman has sought to do has been to say we have to confine our debate within the ambit of those things which he thinks are the proper subjects of amendment to the income tax law. We are not entitled to say what we think should be proper. It is not surprising, sir, because on Friday of last week we—

Mr. Fleming (Eglinton): The hysterical member.

Mr. Pickersgill: The hon. member talks about hysteria. This, of course is just another of these attempts to smear people and divert attention from their arguments. I am not going to waste any time in discussing that.

Mr. Fulton: Any more time.

Mr. Pickersgill: I hear the Minister of Justice, for whom I have rather more respect than I have for many members on the treasury benches, talk about wasting time.

Mr. Fulton: You were.

Mr. Pickersgill: I remember the Minister of Justice when he was on this side of the house, and he did not talk that way then.

Mr. Fulton: I did not talk the way you are talking, either.

Mr. Pickersgill: What I am saying is, surely it is an affront to parliament to suggest that only the Minister of Finance can tell us how the Income Tax Act ought to be amended, and that our debate must be confined strictly to the—

Mr. Deputy Speaker: Order. The hon. member should realize that this point of order has been disposed of and that we should not revive that discussion. He is not guided by the Minister of Finance in the matter of relevancy but by the Chair, and so far as the discussion which took place is concerned, it is finished. The hon. member should now discuss the bill in accordance with the ruling of the Chair and not intimate that the Minister of Finance has decided what scope would be allowed in the discussion.

Mr. Pickersgill: I must respectfully protest against any such suggestion. I did not criticize the decision of the Chair.

An hon. Member: You did.

Mr. Pickersgill: I criticized the Minister of Finance for raising the point of order which may have obliged the Chair—

Mr. Fleming (Eglinton): And the Chair upheld me.

Mr. Pickersgill: —to make a ruling with which I respectfully disagree.

Mr. Fleming (Eglinton): Why do you not appeal it?

Some hon. Members: Appeal the ruling.

Mr. Pickersgill: I did not appeal the ruling.

Some hon. Members: Oh, oh.

Mr. Pickersgill: Is it now suggested that because we do not appeal every ruling of the Chair, we must agree with it? We must, of course, submit if we do not appeal, but that does not mean that we must agree. We are now to have from the Minister of Finance thought control added to the other attributes of dictatorship.

Mr. Fleming (Eglinton): Hysteria back again.

Mr. Pickersgill: I say it is not surprising that we should have from the minister the attitude we have had. We heard enunciated in this house on Friday a doctrine that those of us who heard it will never forget, namely the doctrine that the government was sovereign in this country, not parliament. That was the doctrine that was enunciated on Friday by the right hon. gentleman who heads the government, namely that the government of this country is sovereign, not parliament. It is no wonder they seek to gag us when they enunciate that kind of doctrine.

Some hon. Members: Oh, oh.

Mr. Pickersgill: I say that we have and have always had in this house a perfect right to point out that bills are deficient, and the reasons why they are deficient. That is the proper function of an opposition.

Mr. Aiken: In the budget debate.

Mr. Pickersgill: When you have not even seen the bill? Really, Mr. Speaker, as to this trend to absolutism, to quote something the Prime Minister said in 1955, how rapidly it develops when hon. gentlemen get a taste of power. I would remind the hon. member for Parry Sound-Muskoka of one of the Prime Minister's favourite quotations, although he nearly always misquoted it. I refer to a famous quotation from Lord Acton that all power tends to corrupt and absolute power corrupts absolutely. That, Mr. Speaker, is what we are witnessing in this parliament in this session.

Mr. Deputy Speaker: Order. Once again I invite the hon. member to address himself to the bill. He has been discussing points of order and he has even been discussing rulings of the Chair. This procedure is out of order. The hon. member knows it very well. I should not be obliged to remind him so often of how the rules of the house apply.

Mr. Pickersgill: Mr. Speaker, I am saying that this bill is deficient, that it is not in any respect adequate to deal with the economic problems of the day. Yet this is the only tax bill that could have any really important and serious effect upon the economy. Surely even the Minister of Finance, who perhaps has no direct knowledge of the subject, does not think that the promotion of the king size cigarettes is going to end the recession and bring about full employment; although I should not be surprised if, in his disturbed state of mind, he may think—

Mr. Fleming (Eglinton): The hon. member talks about a disturbed state of mind. He is hysterical.

Some hon. Members: Oh, oh.

Mr. Pickersgill: I just did that deliberately, Mr. Speaker, in order that we would have an example of how disturbed was the state of mind of the minister.

Mr. Fleming (Eglinton): The hysterical person is the hon. member.

Mr. Pickersgill: I offered a little bit of bait there and it was snapped up, Mr. Speaker.

Some hon. Members: Oh, oh.

Mr. Pickersgill: I say that the changes in the tariff are surely not of a character to give us full employment. Let the minister say that they are. Let the minister who professes to be a great exponent of the expansion of trade say that these changes in the tariff—these little bits of protection, as he calls them, here and there—are sufficient to give us full employment. The tariff bill was not a very important bill.

Some hon. Members: Order.

Mr. Churchill: Speak to the bill.

Mr. Pickersgill: Apart from the repeal of the 7½ per cent tax on automobiles, neither was the excise tax bill.

Some hon. Members: Order.

Mr. Deputy Speaker: Order. The hon. member is now discussing the tariff.

Mr. Pickersgill: I am not discussing the tariff, Mr. Speaker; I was discussing this bill.

Mr. Fleming (Eglinton): You are not discussing this bill.

Mr. Deputy Speaker: I have been obliged to intervene several times. I must refer the hon. member to standing order 34, paragraph 2, which reads as follows:

(2) Mr. Speaker or the chairman, after having called the attention of the house, or of the committee, to the conduct of a member who persists in irrelevance, or repetition, may direct him to discontinue his speech—

An hon. Member: Good.

Mr. Deputy Speaker: I am not applying this rule, but I am warning the hon. member.

Mr. Pickersgill: I submit, and again with respect, that all I was doing was pointing out that this bill must be the main instrument of the expansionist policy expressed in the budget, and that was my first sentence. In order to prove my point about this bill I was indicating that even the minister could not possibly argue that any of the others was the main instrument. If that is irrelevant, it is hard for any ordinary mind to understand what would be relevant.

This is just a little mathematical proposition. We had four bills coming out of the budget, of which this is one. I say this must be the one that expresses the expansion because obviously the other three did not do so. I was merely making a casual reference to each of them, and very briefly, too, in order to show that they could not do it and that therefore by subtraction, by simple arithmetic, this must be the one that does represent expansion.

Yet what does it contain? It apparently contains nothing of sufficient importance that the minister himself can even find a principle in it. Indeed, Mr. Speaker, this bill is so disappointing to the country and so puny that the government itself is willing, as I said at the outset, to leave it lying here on the table and go off for a two months' holiday before asking us to bring it into effect. That is the kind of bill that we are now supposed to be debating, although what we can debate about becomes increasingly unclear.

(Translation):

Mr. Samuel Boulanger (Drummond-Arthabaska): Mr. Speaker, I am sorry to disappoint the hon. member who has just interjected a remark, but I suggest that what I have to say about this bill is just as serious as what he may think of it.

I have some remarks to make following the introduction of Bill C-120, as well as some suggestions to offer to the Minister of Finance (Mr. Fleming), suggestions that could help stabilize our country's economy, which is shaky since the presentation of the last two budgets, the baby budget and the one recently introduced.

I want to discuss a theory to which I referred in a speech I made last December, and which has to do with a profit sharing plan. I had dealt rather at length with this matter but, unfortunately, neither the minister nor any member of this house has told me whether they approved or disapproved of that theory. I would have liked to know their views in order to be able to discuss it further, because I referred to it precisely in view of arousing the minister's curiosity, as well as that of all the hon. members of this house.

The profit sharing plan has been—

Mr. Deputy Speaker: Order. Could the hon. member indicate to which section of the bill he is referring, or how he relates his remarks to the bill before us?

Mr. Boulanger: Mr. Speaker, reference is made in paragraph (a) of section 1 of this bill to a deferred profit sharing plan. Besides, it is referred to all through the bill. Well, I want to establish the relationship which exists between the profit sharing plan and the consequent tax. So, I believe I am not out of order in dealing with this.

In my opinion, a deferred profit sharing plan is a concrete form of a middle course theory between egotistical materialism, which is generally condemned, and exaggerated unionism, which is often the cause of trouble in our economy. In fact, such a middle course for employers and employees would help solve many of the problems we have to face nowadays.

It is a co-operative formula which enters in the solution of many a conflict. It ensures the welfare and security of the worker, on the one hand, and increases industrial production and improves the economy in general, on the other.

We are looking for new theories which deserve consideration, and very often the ones we adopt are ill-suited to our needs. For instance, various parties preach economic theories. Last week, we heard the Social Credit party state its own theory, the implementation of which would be just as difficult, in my opinion, as it would be for me to go to the moon on a bicycle.

There is also the theory of the party which sits on our right, the C.C.F. party, the Socialist party, the New party—the name under which it hides itself is of no importance—which advocates a socialist theory not far from that of Marx.

How can this deferred profit sharing plan apply? As I have already indicated, it is not, of course, the government's responsibility to impose this plan to Canada's economy.

Mr. Deputy Speaker: I was just awaiting this moment to make sure. Here the hon. member is suggesting or promoting a profit sharing plan, but not under the Income Tax Act. He is discussing a general problem which has no connection at this time with the amendments to the act. While the subject may be of interest, it would certainly have been much more appropriate in the budget debate, because the hon. member must realize that we are only dealing here with problems relating to the computation of income tax, and the hon. member has just mentioned that it is not for the government to take position on the matter.

Mr. Boulanger: Mr. Speaker, I was just going to mention that point. I was saying that it is not the responsibility of the government to apply such a plan, but that the government might co-operate by granting tax concessions to industries which already have such a plan, and also to workers who contribute to a pension fund. The point I wanted to make is the matter of tax concessions.

Mr. Deputy Speaker: I will allow the hon. member to discuss the matter inasmuch as he relates his remarks to the provisions of the bill. If he wants to indicate that this should have been provided for in the bill, the hon. member must realize, in the light of the previous ruling I have made, that this would not be relevant. If he wishes to discuss certain relevant provisions of the bill, then I will certainly allow him to proceed. However, if he wants to deplore the absence in the bill of provisions on this matter, it is obviously irrelevant.

Mr. Boulanger: Mr. Speaker, it is difficult to discuss this deferred profit sharing plan without saying a few words on its principle and operation before adding our remarks as to the Income Tax Act.

Mr. Speaker, I know that many representations were made to the minister by some industrial and employers' organizations in view of obtaining tax concessions for industries which operate such a plan. I know that the minister has received a lengthy brief from the council of profit sharing industries of Toronto. I am not qualified to discuss it in detail, because I have not the same knowledge as the Minister of Finance. Yet, I must say that the recommendation of the council of profit sharing industries has been studied by renowned experts. I therefore have no doubt that when the various clauses of this bill are discussed, the minister will move the necessary amendments so as to include the point of view of those experts. They more particularly recommend the exemption of a greater part of the contributions paid by companies in view of creating a pension fund for the workers as well as of the share paid by the worker into this fund.

If we want to promote free enterprise and encourage the worker, we should give them a chance to effect savings, and the way to do it is to grant them reasonable tax concessions.

Those are the few remarks I wanted to make. I would have liked to deal at greater

length with the theory of profit sharing, but I shall limit myself to quoting these few lines from a speech made in this house by the worthy member for Richelieu-Vercheres (Mr. Cardin), on January 27, 1960:

> Surely the government cannot possibly and will not refuse the invitation extended to it by the president of the Canadian Labour Congress to attend a meeting of government, labour and management. I am sure that the government can usefully use this opportunity offered to it in order to make a thoroughly objective and exhaustive study into the general causes of and possible solutions to our high cost economy. Also, Mr. Speaker, in this meeting the problems that are now facing those industries whose very existence is jeopardized by foreign competition might well be studied. I do not feel that the solution to the problem of these affected industries will be found among the traditionally accepted solutions of the past, high tariffs, quotas and restrictions which, to my mind, under present economic trends will become as obsolete as economic isolationism itself.

This reminds me of certain recommendations made not only by the hon. member for Richelieu-Vercheres, but by union leaders to the effect that the government should bring together labour and management representatives with a view to looking into this new theory on profit sharing which could not but improve the economy of our country.

(Text):

Mr. Arnold Peters (Timiskaming): Mr. Speaker, I should like to ask a question of the hon. member before he resumes his seat. Did he suggest that hon. members of this group are opposed to this method of tax sharing?

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

Mr. Peters: I was of the opinion that the hon. member did not suggest that, but I wanted to make sure.

I am particularly interested in this matter in respect to profit sharing. I am interested in the application of this profit sharing to pension plans generally. The government on a number of occasions has similar types of problems. The government was faced with this problem when Mr. McCann was the minister of national revenue, and also in 1959 at a time when the present Minister of National Revenue was actively in charge of this department. The problem to which I refer involved the workings and application of this procedure because of the inability of the government and different companies to arrive at a suitable vesting proposal. In most cases—

Mr. Fleming (Eglinton): Mr. Speaker, perhaps the hon. member will permit me to suggest that he is referring to an entirely different subject. This bill refers to the introduction of provisions for a deferred profit sharing plan. What the hon. member is refering to is a question raised in respect to the portability of pensions. That was discussed in the budget speech but is not touched upon in this bill. This bill concerns only the introduction of provisions for deferred profit sharing plans and has nothing to do with the portability of pensions at all.

Mr. Peters: It seems to me there are certain problems involved here in respect to the effects of certain clauses of this bill, particularly clause 39, in relation to the vesting of profit sharing arrangements to the extent that they involve the Income Tax Act. I suggest the problem which faced the income tax department in relation to vesting is very similar.

Mr. Speaker, in some of our plants—I am not speaking of the extensive use being made of this profit sharing arrangement—there is co-operation between management and labour in the implementation of profit sharing programs, but these programs have involved serious difficulties because of the fact that employees have no control over the operations of the company, particularly in regard to the increase in capital. There is a serious difficulty in regard to the amount of money available for a profit sharing program. If the provisions of the present bill offer a solution, as apparently they are considered to do, I suggest there will be a problem similar to that which faced this and previous governments in arriving at vesting rights of employees participating in the fund, as well as the obvious inherent problem involved in the present change in the Income Tax Act.

I suggest the government should consider this matter very carefully, because in my opinion it involves an undesirable feature. The government is introducing legislation which I suggest it will have to withdraw because of the difficulties which will arise at the time it is put into effect. An example of this can be found by reference to the difficulties which faced the income tax department in 1959 in the operation of the accumulation fund of the pension program. It was found at that time to be unworkable, and I suggest the same difficulties will be experienced in regard to these present changes.

Mr. Speaker, if what I have suggested is not applicable to the present measure I am opposed to it, because I think this should apply to a portable pension program rather than strictly to a profit sharing one.

I hope I am not out of order under your ruling, Mr. Speaker, when I suggest there should be an amendment included in this bill

increasing personal exemptions for the purposes of income tax during the current year. I believe such a measure would accomplish at least some of the things the minister is attempting to accomplish by these changes. Presumably the minister is attempting to place as much money as possible in the hands of as many Canadian people as possible with resulting advantages to the economy as a whole. I suggest an amendment increasing these personal exemptions would have much advantage in that regard.

Mr. Fleming (Eglinton): Mr. Speaker—

Mr. Deputy Speaker: I must inform hon. members that if the minister speaks now he will close the debate.

Mr. Fleming (Eglinton): Mr. Speaker, so far as anything that has been said in the course of this debate is relevant to the bill, and there was very little that is, I think it can best be dealt with during our clause by clause consideration of the bill in committee. Therefore, Mr. Speaker, I propose to reserve to the committee stage anything further that it might be desirable to say in that connection.

Mr. Deputy Speaker: Is the house ready for the question? Is it the pleasure of the house to adopt the motion?

Mr. Pickersgill: On division.

Mr. Fleming (Eglinton): Mr. Speaker, will you call the yeas and the nays?

Mr. Deputy Speaker: All those in favour of the motion will please say yea.

Some hon. Members: Yea.

Mr. Deputy Speaker: All those against the motion please say nay.

Some hon. Members: Nay.

Mr. Deputy Speaker: In my opinion the yeas have it.

The house divided on the motion (Mr. Fleming, Eglinton) which was agreed to on the following division:

YEAS

Messrs:

Asselin	Cardiff
Balcer	Chambers
Barrington	Charlton
Bell (Carleton)	Churchill
Bell (Saint-John Albert)	Comtois
Bourdages	Cooper
Brassard (Chicoutimi)	Creaghan
Broome	Crouse
Browne (St. John's West)	Danforth
Browne (Vancouver-Kingsway)	Diefenbaker
Brunsden	Drysdale
Campbell (Lambton-Kent)	English
	Fairclough, Mrs.
	Fleming (Eglinton)
Fleming (Okanagan-Revelstoke)	Milligan
Flemming (Royal)	Monteith (Perth)
Fournier	Montgomery
Frechette	Muir (Cape Breton North and Victoria)
Fulton	Nasserden
Gillet	Nesbitt
Green	Nugent
Grills	O'Hurley
Hamilton (Notre Dame de Grace)	Pascoe
Harkness	Paul
Horner (The Battlefords)	Pigeon
Jorgenson	Rapp
Jung	Ricard
Knowles	Richard (Kamouraska)
Korchinski	Rogers
Lambert	Smith (Winnipeg North)
Legere	Southam
Macdonald, Mrs.	Speakman
Macdonnell	Spencer
MacLean (Queens)	Starr
MacRae	Stewart
McCleave	Tassé
McFarlane	Villeneuve
McGee	Vivian
McGrath	Webb
Martel	Weichel
Martineau	White
Matthews	Wratten—82.

Division

NAYS

Messrs:

Argue	Habel
Badanai	Herridge
Batten	LaMarsh, Miss
Benidickson	Leduc
Boulanger	McIlraith
Bourget	McMillan
Cardin	Martin (Timmins)
Carter	Mitchell
Chevrier	Nixon
Clermont	Pearson
Denis	Peters
Deschatelets	Pickersgill
Dupuis	Regier
Garland	Tucker—28.

Bill read the second time and the house went into committee thereon, Mr. Flynn in the chair.

On clause 1.

At one o'clock the committee took recess.

AFTER RECESS

The committee resumed at 2.30 p.m.

Mr. Pickersgill: Before we enter into any discussion on the specific content of the clause I think I will take advantage of what I described as the Howard Green rule, which was given an odour of sanctity by the present Secretary of State for External Affairs when he sat on this side of the house and which provided for a certain amount of general discussion on the first clause of a bill. You, sir, may not have been following what was going on this morning. This is a very peculiar bill. We have been told by a number of

persons it is a bill without a principle and, apparently, without much purpose.

Nevertheless it does contain provisions that are going to change the Income Tax Act, and if some of these changes are carried through they will have varying effects upon the Canadian people. This is provided the government does not change its mind, and perhaps in a few minutes the hon. member for Kenora-Rainy River will give us the statistics to indicate how many times they have changed their mind about this bill since budget night. If the government do not change their minds many more times, when their majority has dealt with these changes in the income tax they will have varying effects upon the Canadian people. We will, as we always do, consider each of these clauses strictly on its merits and the effect each of them will have on the Canadian people.

Notwithstanding the minister's great desire for a holiday, which the government leader expressed on Friday evening by saying the minister would be content to stop at second reading of this bill; notwithstanding that fact, the minister chose to take up the time of the house by having a recorded vote on second reading of the bill, we, of course, could do nothing else but vote against this bill, because we consider it hopelessly inadequate in ways we were not allowed to explain to deal with the present serious economic condition in this country. I do not want to attempt to revive the debate on second reading, but I want to point out that we regard this as a very puny expression of the great expansion that was heralded in this country on June 14 and is really ending in a whimper.

Mr. Benidickson: As the hon. member for Bonavista-Twillingate has said, there is nothing very devastating in the amendments here which involve the average taxpayer of Canada. When we are looking at clause 1, perhaps the minister could explain the benefits that accrue under the deferred profit sharing plans. I think the minister would want to go beyond the explanation he made on June 20, and I invite him to do so.

Mr. Fleming (Eglinton): Mr. Chairman, the main provisions of this bill concerning deferred profit sharing plans are to be found in clause 27. Clause 1 of the bill simply is consequential upon the introduction of a new class of profit sharing plans provided for by clause 27, which would bring within the provisions of section 5 of the act any contributions made on account of a profit sharing plan.

Mr. Benidickson: The minister will agree that he has had some hesitation in introducing a bill into this House of Commons with respect to deferred profit sharing plans, because he introduced such a bill during the 1960 session and allowed it to lapse. I ask him to indicate to the committee the result of negotiations or discussions that might have taken place during this period. I hope he will do that.

Mr. Fleming (Eglinton): Mr. Chairman, we received quite generous consideration from those to whom we appealed for their views with regard to amendments to the Income Tax Act in relation to such plans. It is in the light of the representations which we received in response to that appeal, following the draft bill which was introduced in the 1960 session, that our study of the matter has gone further and that, in accordance with the resolution which the house approved, Bill No. C-120 now contains extensive provisions in relation to deferred profit sharing plans.

The provisions of this bill, of course, are not the same as those of the draft bill of the 1960 session. The provisions of this bill have been prepared in the light of the representations that have been made to us. We think it is a very good and workable scheme that has been put forward. Whereas previously the only provision the act made was in relation to other classes of profit sharing, now we have provision made for the deferred profit sharing plan. Under this measure the contribution of the employer on behalf of the employees to such a plan is given exemption in relation to the employer's income. The benefit that will be payable to the employee on retirement—and this is the purpose of the deferment that is contemplated in the deferred profit sharing plan—will be taxable like any other income at that time. As I pointed out in the budget speech, there are special provisions in cases where the employee in such a case has chosen to take up residence outside of Canada. This we consider to be a well balanced scheme to give encouragement to deferred profit sharing plans. We think there is a great deal of social benefit in such plans and that the Income Tax Act should be so revised now as to encourage employers to establish such plans so their employees may benefit substantially at the time of retirement.

Mr. Benidickson: I have no over-all quarrel with the minister's objectives, but I remind the committee that last year he even introduced a bill which was supposed to take account of the opportunity for deferred profit sharing plan operations within a corporation as between employees and employers. The minister wanted a year of reconsideration for his officials. In this bill I find nothing that indicates to me that the year has brought any

useful information. I think we in the opposition, small as we are in numbers, are entitled to the complete consensus of the advice that has been given to the Department of Finance on that bill introduced by the minister a year ago. What were the objections to amendments of statutes that are suggested here? To what extent has the government changed its mind since it introduced its pilot bill a year ago in 1960? I think these things should be discussed with respect to the plan for deferred profit sharing of employees and the corporations concerned in Bill C-84 compared with the plan that is involved in clause 1 of this amending bill.

Mr. Fleming (Eglinton): We had a score or more of representations from different sources. The professional groups made their representations. One organization that is particularly interested in these problems made representations. We had representations from the Canadian Labour Congress and from a wide variety of sources. The hon. member has had an opportunity to compare the provisions of this present bill with those of the bill introduced in 1960, and he will have had an opportunity to observe the differences that have been introduced. We think that with the assistance of these representations, as I said previously, we have an improved bill in this regard.

Mr. Benidickson: I have listened to the minister, Mr. Chairman, but I do not think he has indicated to all of us the differences between the opinions he had as expressed in the bill introduced by him last year and any action that is required by us in parliament a year later on this bill amending the Income Tax Act. I ask the minister to review for us what has taken place between March, 1960 and the present time. We would normally expect a budget, of course, in March 1961. We did not get it. There were three further months of indecision. However, I want to ask the minister whether he can tell us in summary just what has been the benefit of the advice he invited a year ago. I ask him to tell us what the changes have been as a result of the advice he received a year ago.

Mr. Fleming (Eglinton): I think you will find, Mr. Chairman, that can most suitably be done when we come to page 22 of the bill, as that is where we find the detailed provisions in this regard. At that time I shall be glad to point out the differences between the provisions of this bill and those of the 1960 bill.

Mr. McMillan: In connection with clause 1, subclause 3, subparagraph (VIII) which has to do with the honorarium or payment to volunteer firemen, I might say that I brought this matter up on behalf of our party earlier this session—

An hon. Member: You are not the first one.

Another hon. Member: You voted against it.

Mr. McMillan: Somebody says I was not the first one. I think I was the only one who brought it up on the floor of the house.

Mr. Hamilton (Notre Dame de Grace): He says you voted against it today.

Mr. McMillan: I wish to thank the minister for including this $300 as an exemption from income tax. I know a number of fire companies in which volunteer firemen receive some $50 to $250 as an honorarium per year. Some contribute the whole amount, others part of this amount, toward the maintenance of quarters either over the fire hall or in close proximity to it. My question to the minister is this. Would these contributions made toward the maintenance of these quarters be exempt for income tax purposes?

Mr. Fleming (Eglinton): I presume the hon. member is referring to contributions made by companies and not by municipalities?

Mr. McMillan: A municipality might pay each individual fireman an honorarium of $200 a year. If the fireman contributes $100 of that toward the maintenance of a club or rented quarters near the fire hall, will he be allowed to consider that $100 as an exemption for income tax purposes?

Mr. Fleming (Eglinton): If this $200 is part of his earnings the $200, of course, is exempt. He is exempted up to $300 of earnings. What he does with that is, of course, up to him.

Mr. Benidickson: I take it that the minister is asserting in a general way that the underlined words in clause 1 amending this subsection of the Income Tax Act would put a deferred profit sharing plan reasonably well on the same basis as a pension plan and the the plan that was introduced by his predecessor, Mr. Harris, in 1957, a mutual fund opportunity for investment as a private enterpriser. I take it the minister has in mind that this is an ordinary change, in conformity with what has been provided by the statute to date; it is not a radical change.

Mr. Fleming (Eglinton): It is in conformity with the provisions which will be found on page 22. It simply brings the exempting provisions of clause 5 of the act into conformity.

Mr. Benidickson: The minister would agree that this perhaps has the approval of people who have given leadership in this field, such

as the Simpsons-Sears organization and others who have taken an interest in deferred profit sharing.

Mr. Fleming (Eglinton): I would say so.

Mr. Habel: On subsection 2 I should like some information. I must admit that I am not a lawyer, and I am asking the minister for information. The amendment provides, in underlined words, that travelling and living allowances need not be included in income. Would that mean that a gentleman travelling from either Ottawa or Montreal to Quebec for lobbying and getting compensation for it would not have to include in any amount which he might receive, as a total amount his travelling and living expenses while he was lobbying in Quebec?

Mr. Fleming (Eglinton): This clause, as I am sure the hon. member will realize on examination, relates to something altogether different. It relates to the expense allowance provided for any person whose services are engaged pursuant to the Inquiries Act. This clause is introduced for the purpose of clarification. It provides that per diem allowances paid to members of royal commissions to cover travelling or living expenses need not be included in income. These allowances have not been regarded as taxable income in the past, but in view of the fact that some doubt has arisen because of the language of the present act it is deemed advisable to ask parliament to clarify the law.

Mr. Habel: As I said before, I am not a lawyer. The minister will admit that my question was a fair one. I think it is only fair that we should know exactly what we are supporting.

Mr. Benidickson: In connection with subclause 2 of clause 1, I take it the minister is saying that the administration has up to now observed the law in a way which is in accordance with what was stated to the hon. member for Cochrane. The minister is saying there is no change in the law as far as this wording is concerned. I take it this provision means that we are rectifying or rationalizing what we have been doing for some time. Is that possible? We have had a large number of people appointed to commissions under the Inquiries Act in recent times. This government cannot make up its mind itself. The process involves the appointment of royal commissions all the time, and these are just delaying tactics before a decision is reached.

That is what is involved here. These people who are appointed by the government to royal commissions will receive certain concessions under this income tax bill. I do not object to that. I think we need inquiries of this kind at times. However, I want to ask the minister specifically whether this implies anything different from what was allowed to those who sat on commissions appointed by this government in the last two or three years. Are commissioners now to receive benefits additional to those which were received formerly by reason of this subsection and, if so, why? Who is going to be appointed under the Inquiries Act to make for this government decisions which the government should make for itself? Will the minister give us a record of the per diem allowances which have been provided to those acting on royal commissions set up by this government under the Inquiries Act? Will he give us, per person and per inquiry, figures showing what will be involved if we pass this clause concerning travelling and living allowances which may be deducted from income for taxation purposes?

I believe this country owes a great debt to people who are ready to take the time to look at some of the economic, social and other problems which we face today, when invited by their government so to do, but we must regard this matter carefully. Twenty years ago we used to think that somebody of my profession, a lawyer, had no particular advantage if he was appointed a member of a commission under the Inquiries Act to perform services for which he received a per diem rate of pay. He was sneered at because he received a per diem rate of pay. I want to make sure we are doing nothing here which will be in any way a departure from a new attitude which is growing up, namely that people who are asked by their government to serve on inquiries are not likely to be profiteers. I hope we have reached the point where nobody who is required by his government to give his time to the tremendously important concerns which parliament may refer to a commission under the Inquiries Act may be challenged and told he has served there to his advantage in dollars and cents. I hope this amendment to the bill does not provide that opportunity.

As a young man, years ago, I had an idea that it was advantageous to serve in the depression of the thirties in one capacity or another for $100 a day. As I have matured I have grown to understand that this country can enlist and command the services of the most important people in this country if we make sure that we do so on the basis of personal sacrifice and national advantage. I question clause 3 because I do not want political heelers any longer to become connected with these national inquiries and commissions.

Mr. Garland: Mr. Chairman, without delaying the committee, in connection with subclause 3 I wonder whether the minister has any figures readily available which would indicate the average annual allowance volunteer firemen receive from municipalities.

Mr. Fleming (Eglinton): Mr. Chairman. I do not think there are any authentic or adequate figures available to indicate what is the average across the country. In many of the representations we have received it has been indicated that the sum received by volunteer firemen who are interested might be in the neighbourhood of $250 per annum. We have gone a bit beyond that in proposing a $300 exemption.

Mr. Regier: Mr. Chairman, I wonder whether I might ask the minister to explain why clause 13 has been included in the bill now before us, when there are references to the same topic in other clauses of the bill. As I understand it, there may be amendments to the existing arrangements under the dominion-provincial tax sharing arrangements act, and there is a possibility that this act may be allowed to expire, and that the provinces will take whatever is decided by the federal government they will be allowed to take.

As I mentioned in my earlier remarks this morning, it seems a little inappropriate for us to be dealing with this bill when we have item No. 9 on the order paper, which deals with very much the essence of the subject, or at least with the very same topic. I have been given to understand that none of our ten provincial premiers, while recognizing the need for a revision of the existing dominion-provincial tax sharing arrangements act, are willing to accept the discontinuance of some of the basic principles underlying the existing act which has reference to the tax sharing arrangements as between the federal government and the provinces. In spite of that fact we have before us a bill which, under the terms of clause 13, as well as other clauses, is going to radically effect the levels of revenue of the federal government in years to come.

Does the minister not believe it is a little presumptuous on the part of the government to ask parliament to approve these amendments, regardless for the moment of the opinions of each of the ten provincial governments, until at least the house has agreed that there ought in fact to be a discontinuance of one of the most basic principles of this act; because I can see a difficult situation arising—

Mr. Fleming (Eglinton): I will be very glad to deal with that subject when we reach the appropriate clause in the bill, which is No. 13. There is nothing in clause 1 which touches upon that question at all.

Mr. Regier: I think this situation is involved in a number of clauses, Mr. Chairman, and that it is most appropriate that I speak in respect to the over-all principles in clause 1 and that the minister should reply—

Mr. Fleming (Eglinton): Mr. Chairman, none of the clauses before clause 13 have reference to that question.

Mr. Regier: Mr. Chairman, I appreciate the possibility of a recess before very many hours have passed, and I should therefore like to appeal to the minister to reply to this basic contention of mine, which is that it is a little presumptuous for us to be endorsing on second reading the principle of even clause 1 of the bill, which would affect very greatly the existing dominion-provincial tax-sharing arrangements act, and which would interfere with our decision in respect to resolution No. 9 as listed on the order paper.

The Acting Chairman (Mr. McCleave): Shall clause 1 carry?

Mr. Pickersgill: Mr. Chairman, before this clause carries I have a very specific question I should like to ask the minister in respect to paragraph (B) in subclause 2. The minister has indicated, and I think I am representing correctly what he said, that there is no change in the practice, and that this is merely a clarification of the practice and the law as it now is. I am sure the treasury board does not like to recommend changes in the law unless there is adequate reason for doing so. What kind of situation or situations arose which brought this matter into question? It does seem to me that before we venture to change a section of the act which apparently has stood for some time we ought to know if there is substantial reason for doing so.

Mr. Fleming (Eglinton): Mr. Chairman, this matter has not arisen from any decision but arose out of a question that was asked of the Department of National Revenue. That is how the question arose. It was thought desirable that there should be clarification. There is no intention to depart from what has been the practice followed up to the present time.

Mr. Pickersgill: I take it that these payments which are made under the authority of the treasury board are what might be called equations of the probable costs? If it involved accountable travelling or living costs the question should not have arisen at all. What the treasury board does from time to time, as I understand it, is to say that rather

than having accounts submitted, so much money per day may be paid and that will be deemed to be an expense equated to what the expense would otherwise be.

I might say that I am not criticizing this, as I am strongly in favour of the practice and was when I was a member of treasury board. I think there is a lot of waste of time and the taxpayers' money spent in checking small expense accounts, and it would be very much better and more simple to have a recognized per diem as an appropriate expenditure made in these circumstances so that it could be done quite automatically, saving a great deal of time, money, energy and bureaucracy. I am strongly in favour of this view and in favour of anything that clarifies it, but I just wanted to be sure that is what this is. If that is what it is, whatever comfort the minister can get from it, I am quite in favour of it.

Mr. Fleming (Eglinton): That is what it is.

Mr. Benidickson: Having regard to the answer given by the Minister of Finance to the hon. member for Bonavista-Twillingate, the Minister of Finance has received representations from those engaged in railway and highway transportation, as well as other methods of transportation, to the effect that the average cost of a meal today is $1.50, including gratuities and so on. It has been suggested in those representations that the administration requires the individuals to produce, for 365 days in a year, a long list of individual receipts covering meal purchases.

What is the present practice in the Department of National Revenue with respect to those union employees who complain that they do forget? They are not businessmen. They have not got secretaries, and so on, and they do not take chits at all times. They forget about it, but on the average they are good eaters; they are entitled to be. They are husky men on the trucks and on the railways of our country. On an average they find that they spend not the arbitrary figure which the Department of National Revenue has in mind, which at the present time is $1.40, I think. They have investigated this and they say that on the average they spend perhaps $1.50 per meal per day when they are on the road. They say that the Department of National Revenue disregards this. The department has its own figure. Perhaps this could be referred to a parliamentary committee. Could we find out what the senior officials of the Department of National Revenue spend when they are outside of Ottawa on business for the Department of National Revenue?

Mr. Pickersgill: When they visit Jean Talon hospital, for example.

Mr. Benidickson: Perhaps they could indicate whether this is out of the way, having regard to what I call these big expenses for a transport worker which must, of course, include the tip.

Regardless of the protestations of the Minister of Finance, the cost of living has gone up. I say that the decision made by the Minister of Finance or the Minister of National Revenue four years ago with respect to the expenditure of $1.25 per meal for transport workers was standard and adequate in the absence of individual vouchers. I say that has been outdated by the increase in the cost of living which has developed during the time this administration has been in power. I would think that perhaps $1.50 would be a better figure for transport workers on the highway, on the railway, on the seaway or any place else. They have made representations to the government. There is nobody in this House of Commons—

Mr. Fleming (Eglinton): This has nothing at all to do with this clause. It is not involved in this clause nor is it related to it in any way. If the hon. member is asking about rulings in the department, we shall have an opportunity to deal with that matter when the estimates of the Department of National Revenue are up for discussion. It has nothing at all to do with this clause.

Mr. Benidickson: Mr. Chairman, will you look at subclause 2 of clause 1 that we are discussing, and will you look at the words—

Mr. Fleming (Eglinton): It relates to per diem allowances.

Mr. Benidickson: The paragraph refers to travelling or personal or living expense allowances. Does the minister say that I and other members of the committee are out of order when we say that this should be reviewed?

The Acting Chairman (Mr. McCleave): Order. The Minister of Finance has raised a point of order. In reference to the point raised by the hon. member for Kenora-Rainy River, if he can bring his remarks within (A) which deals with travelling or personal or living expense allowances expressly fixed in an act of the parliament of Canada, or those that are fixed under (B), he will satisfy the Chair.

Mr. Benidickson: Mr. Chairman, I know you are very fair, but I suggest you do not know the opportunities that are available outside the statute, the opportunities that are really pertinent and the opportunities that prevail with respect to changes that are made by

order in council, and they are made from day to day. This government used to complain about orders in council, but they pass more orders in council than any government I have ever known. In this respect I say there is jurisdiction, there is authority under the Income Tax Act to make decisions with regard to travelling or personal or living expense allowances. It was on that subject that I was speaking. I say that those engaged in the transport industry, who are under consideration at this time, have made representations to the minister. He has not indicated to us—

Mr. Fleming (Eglinton): Mr. Chairman, this has nothing to do with the kind of allowances that are spoken of in this clause. This relates to:

(i) travelling or personal or living expense allowances

(A) expressly fixed in an act of the parliament of Canada, or

(B) paid under the authority of the treasury board to a person who was appointed or whose services were engaged pursuant to the Inquiries Act—

This applies to royal commissioners. The hon. member is talking about a subject that does not arise under this clause of the bill, or under the section of the act to be amended by this clause of the bill.

The Acting Chairman (Mr. McCleave): I would ask the hon. member for Kenora-Rainy River whether the allowances to which he refers are expenses which come under an act of parliament. How do they arise? If he answers these questions it may help the Chair.

Mr. Benidickson: I can understand that an amendment to paragraph (a) of subsection 1 of section 5 of the Income Tax Act would be advanced by a Tory government to concern people under the Inquiries Act, but not the transport workers for whom I was just speaking. I conclude my remarks on that point in this way. In clause 1 of this amending bill we have reference to refunds. I should like the Minister of Finance to tell us—

Mr. Fleming (Eglinton): Where?

Mr. Benidickson: I am thinking of the reference to refunds to volunteer firemen. I should like the Minister of Finance to tell us what other refunds have been made in the past to other taxpayers. He wants to go back to 1958. What refunds have been made to taxpayers whose taxes deducted at the source are in excess of their ultimate liability? Has the Department of Finance or the Department of National Revenue a better record in lower deductions at the source, monthly or weekly, or whenever the tax is deducted, than has heretofore proven to be the case? What is the record of the volume of dollars paid back to poor taxpayers rather late in the game because there is not an adequate judgment of their responsibility for deductions, and so on, at the source?

Mr. Fleming (Eglinton): There is nothing in this clause dealing with refunds. That is an entirely different subject. If the hon. member wants information about refunds it can be obtained by putting a question on the order paper. What we are dealing with here is the matter of exempting honoraria of volunteer firemen.

Mr. Regier: Mr. Chairman, I hope the minister will forgive me for referring to something again but I have a very important engagement later in the afternoon, and I am afraid that clause 13 and subsequent clauses may be passed when I am not here. In order to bring myself really into line with clause 1 I should like to ask the minister this question. Is it the wish or hope of the government that the bill now before us be passed before a mutually acceptable agreement has been arrived at with the premiers of the provinces with respect to the revision of the Federal-Provincial Tax-Sharing Arrangements Act?

Mr. Fleming (Eglinton): I will be glad to take note of the hon. member's question and put an answer on record for him when we reach clause 13.

Mr. Regier: In that case I will have to make my observations. They may have to be made in haste, but I can blame no one but the minister for that.

Mr. Fleming (Eglinton): The hon. member is asking a question not dealing with anything in clause 1 of the bill, but a question having to do with clause 13 of the bill. Having regard to his engagement, if he is not here when we reach clause 13 I shall be glad, of course, to answer then the question he has asked now. I do not think it would be proper, however, to launch into clause 13 now when we are dealing with clause 1.

Mr. Regier: If I may say a brief word on the point of order, Mr. Chairman, I do not intend to discuss clause 13 specifically. The minister—and I appreciate his offer—is willing to give me a reply when clause 13 is reached, but as I have indicated I must be absent from the house. I would not be able to make my argument at that time, so I will have to make it now. Under the rules I can do so under clause 1, because I am referring to the bill as a whole.

It would appear that the government is hoping that the bill now before us with all its clauses will become law before a mutually

acceptable arrangement as to tax sharing has been arrived at between the federal government and the ten provincial governments. This is a most amazing thing on the part of a government which had as a major election plank the ending of this business of centralization, which was going to recognize the intent of the British North America Act and was going to work in harmony with the provincial governments.

Now we are faced with a bill which, if it becomes law, will create a situation whereby the ten provincial governments will be confronted with a *fait accompli*. The federal Income Tax Act will have been amended. I should like to ask the government this question. What are they going to do if the ten provincial governments refuse to accept the offer of the federal government with regard to this matter? Are they then going to say to the provincial governments "Regardless of whether or not you buy our offer, this is it"? The situation now has all the appearances that the government may be faced with a very embarrassing and difficult situation that might even require a special session of the House of Commons to reverse a decision taken now; or in effect it may mean that the attitude of the government will be, the opinions of the provinces be damned; no matter what they say we are going to amend the Income Tax Act as if the whole proposition had already been mutually agreed upon. I recall the minister's own words as a member of the opposition about co-operation with the provinces. This is not co-operation.

Mr. Fleming (Eglinton): As the hon. member has another engagement I know the committee will wish to be as accommodating as possible, but he is launching into the question of whether this bill should be proceeded with. The house has given the bill second reading and has referred it to this committee for clause by clause consideration. It seems to me that the remarks he is making now would have been out of order at any stage in the committee even without waiting for clause 13.

Mr. Pickersgill: On the point of order that the hon. member has raised, may I say that for once I am afraid I have to agree very reluctantly with Minister of Finance. I am afraid that the hon. member for Burnaby-Coquitlam has been out of touch with the developments lately, because it was made perfectly apparent some weeks ago by the leader of the government and by the Minister of Finance that this proposition to the provinces was not take it or leave it; it was take it or else. Therefore the point that the hon. member has raised rather skilfully under the guise of a point of order does not arise at all because there is no question of the provinces being asked to agree. They are to take it or else.

[Mr. Regier.]

Mr. Regier: That is all I wanted to know.

Mr. Nixon: Mr. Chairman, I have been looking at subclause 4 of clause 1, which reads as follows—

Mr. Speakman: Do it with a straight face.

Mr. Nixon: It reads:

> All that portion of paragraph (b) of subsection (1) of section 5 of the said act that follows subparagraph (vii) thereof is repealed and the following substituted therefor: "minus the deductions permitted by paragraphs (i), (ib), (q) and (qa) of subsection (1) of section 11 and by subsections (5) to (11), inclusive, of section 11 but without any other deductions whatsoever."

I wonder whether the minister could explain that. It seems very confusing to me, and I am sure it does to others.

Mr. Fleming (Eglinton): The only change made by this clause is in the insertion of the letter "(ib)" in the provisions of section 5 of the act. That is all it does, and the effect is as stated in the note on the opposite page.

Mr. Pickersgill: I think the clause the hon. member for Algoma West has just questioned is a triumph of clarity in drafting. It is pretty evident that the minister himself does not understand it, because he merely refers us to the explanatory note. Certainly no one can tell from the explanatory note what this means. When we are told that the only change in the clause is something involving the addition of "(ib)", how the taxpayer who is supposed to abide by this law is going to know what it means without hiring half a dozen Philadelphia lawyers is hard to understand. As the committee is composed mostly of laymen like the hon. member for Algoma West and myself, I think we are entitled to hear from a great lawyer like the Minister of Finance an explanation of what is really involved and what the "(ib)" really is.

Mr. Fleming (Eglinton): The hon. member will see what the "(ib)" means if he will turn to page 3 of the bill. He will find it in the middle of the page. It has to do with legal expenses of an employee. Section 5 of the act deals with the definition of income, and section 11 of the act sets forth certain deductions. The provisions are to be amended so that, in conformity with budget resolution No. 7, expenses incurred by an employee in collecting his wages or salary will be deductible from his taxable income.

Mr. Pickersgill: What does that mean?

Mr. Fleming (Eglinton): The hon. member may know what salary means. He may know

what earnings are of an employee who is earning salary or income. If the employer does not pay him he will have to sue the employer, and if he sues the employer he may incur some legal expenses. If he incurs legal expenses this clause proposes that he should be entitled to deduct those legal expenses in determining his taxable income in respect of those earnings.

Clause agreed to.

On clause 2—*Deferred profit sharing plan.*

Mr. Benidickson: Mr. Chairman, I think the hon. member for Bonavista-Twillingate had a pertinent point with respect to clause 1 just a few minutes ago when he referred to section 1 (k) of the Income Tax Act, because it had a very great bearing. I think the minister should explain this particular amendment. I must confess I have not given this amending bill the attention I should have liked to give it. I would say, however, that this clause is important in connection with the addition of the new section 79 (c) which, in my judgment, might very well involve a change in the language of the Income Tax Act.

Despite what we hear, the clause relates to references to the word "and" and paragraph "(m)" as well as paragraph "(n)". It really refers to an important introduction in the budget of this year, namely a decision of the minister to advance legislation related to deferred profit sharing plans. Last year he was timid. All he did was to introduce his bill which enabled employees and employers throughout the country to criticize this proposal. We have no bill before us this year. We have here the result of that year's inquiry. We have amendments to the Income Tax Act. I assume that clause 27 of the bill is going to add section 79 (c) to the permanent law of this country which involves something new with reference to the pension laws and annuities for the self-employed, introduced in 1957 by the previous administration. I ask the minister to put on *Hansard* a full explanation of his intent under clause 2 of this amending bill.

Mr. Fleming (Eglinton): Mr. Chairman, the full provisions in relation to deferred profit sharing plans are in clause 27, which we will be considering shortly. This clause simply has the effect of bringing into taxable income the benefits received by a taxpayer under the deferred profit sharing plan. This means that in the ordinary course, when he retires, the benefits he receives become income and consequently taxable.

Mr. Benidickson: Mr. Chairman, I believe it was in March 1960 when the minister introduced the budget he said he intended to introduce a special bill in respect of deferred profit sharing plans.

Mr. Fleming (Eglinton): Not this year.

Mr. Benidickson: No, 1960 I said.

Mr. Fleming (Eglinton): I did then, but I did not say the further provision this year would be in a separate bill.

Mr. Benidickson: My statement was that the minister wanted the advice of the country, so he introduced in 1960 a special bill related to deferred profit sharing plans. I say that those of us in the opposition are not likely to receive too much advice on these matters, but there might be people adversely affected. Our duty relates to them at all times. I think the minister has been too cursory in his examination of this problem. I say that this is the heart of the new program, in statutory form, which relates to deferred profit sharing on the part of employees. I think we should have from the minister at this time his objective review, having received from the country representations on profit sharing legislation consequent upon the introduction of the bill in 1960. We are entitled, therefore, to a little more information from the minister than he has given to us.

Mr. Fleming (Eglinton): As I indicated earlier, when we are dealing with clause 27 we will have the provisions before us and we can see what are the differences between the provisions of this bill and those put forward in the draft bill of 1960. There is no difference in respect of this particular matter. It is quite clearly indicated at all times that when the employee retires and then receives benefits from a deferred profit sharing plan, those benefits will be taxable income.

Mr. Chevrier: Why not give us the explanation now?

Mr. Peters: Before clause 2 carries, I should like to say a few words. There are many references in this bill to profit sharing programs. I think the minister should give us an indication at this time what he is going to do with these accumulations which, if they related to pensions, would be called vestings. Many companies declare a certain amount of money available for profit sharing, and this may take two or three forms. Some companies put it in the form of shares in the company, other companies in the form of cash. In some companies, the money to which the employee is entitled is paid to him somewhat along the same lines as compulsory savings, that is paid to him on retirement.

I believe the minister should give us an indication of his thinking in relation to the charge that is made by the department when these funds are in the form of shares or accumulated savings for retirement. One of the questions that will be asked, of course, is what happens when the man is fired? Is his share in that year, if it is near the end of the year, given to someone else? What protection is to be given in order to dispel fear that will be in the minds of many Canadians who are directly interested in the welfare of the workers through union activity? There seems to be some reference to the elimination of the anti-union aspect in this which indicates that companies, rather than giving increases in wages will introduce profit sharing plans.

I think before we pass the first clause that refers to these plans, we should know what the minister's thinking is in regard to this aspect which would be mainly involved in vesting if we were dealing with pensions.

Mr. Fleming (Eglinton): This has nothing to do with pensions or the vesting of pensions. That is a different subject altogether. This clause refers to deferred profit sharing plans, and when we come to clause 27 we will have the provisions before us.

Mr. Regier: I think without a doubt the minister will go down in Canadian parliamentary history as the outstanding man in the field for not answering questions by raising points of order and having other members ruled out of order when they attempt to obtain legitimate answers to their questions. The hon. member for Timiskaming pointed out, most adequately, that this was the first of many amendments contained in this bill. Before we signify our approval to even the very first item, we should know what the intentions of this government are with regard to protecting the interests of these workers in Canada who will agree, in preference to ordinary pension agreements as we know them, to participate in profit sharing arrangements.

As the hon. member pointed out, in the final analysis, as to its extent, this is always at the discretion of management at the end of the year. If the company have made a net profit of $100 million, they may decide to share $10 million of it with their employees or they may desire to share only $1 million with their employees. We are now beginning to grant concessions to the companies and these are not concessions being granted to the workers. Let us be very clear about this matter. This is the beginning of granting to companies the right to declare such profit sharing arrangements as part of their regular wage bill or as a substitution, if you like, of a regular wage bill which ordinarily would be exempt under the terms of the Income Tax Act. Before we are prepared to begin granting this right to companies, and it involves millions of dollars in the case of a goodly number of companies I might name, I believe we are entitled to ask the government what are its intentions under this act with regard to protecting the rights of the workers. Far too many workers have had most regrettable experience when it came to a lack of vesting rights as far as their pensions were concerned and companies have repeatedly taken advantage—legally it is right, but morally most wrong—under the Income Tax Act. I feel that the minister owes us an explanation.

Mr. Fleming (Eglinton): This, of course, is a first class example of the confusion that arises when we do not deal with the clauses of the bill seriatim in accordance with the rules. The clauses of the bill in relation to deferred profit sharing plans and the tax treatment of those plans and all questions associated with them are to be found in clause 27 of the bill. When we reach that clause there will be an opportunity for an orderly discussion. All that this clause does is to say that any benefits received under such a plan are taxable income and there is every reason why they should be so. To pass this clause does not preclude discussion.

Mr. Regier: On that very point, Mr. Chairman, may I say that the minister has just made it very clear that any benefit received under such a plan is taxable income. What I should like to know is this. Any benefit under such a plan accrues only to the company in that the companies now will be, as he has indicated, in subsequent sections granted very great concessions. I should like to know what concessions are provided in this bill for the protection of the legitimate interests of the workers.

Mr. Fleming (Eglinton): The answer to that is in clause 27 when we reach it.

Mr. Pickersgill: The minister said something which caught my interest. He said this was simply a provision that these benefits should be taxable income. Have they not been taxable income hitherto?

Mr. Fleming (Eglinton): Yes. There has not been provision in the act up until the present time for a deferred profit sharing plan. Where there are profit sharing plans under which profits are shared at the time, then obviously they become taxable income in the hands of the employee recipient. We are now introducing provisions which will be found later in the bill and which contemplate

a new kind of plan, a deferred profit sharing plan, whereby the employee does not take out the profits at the time they are declared; instead they go into a fund and they will be accumulated there. He is not to be taxed on them while they are accumulating, even though payments are made into the fund on his behalf by his employer. There is a deferment of tax, because there is a deferment of enjoyment under the plan, until he takes out the proceeds. When the time comes under the terms of the plan to take them out, then of course they become taxable income just as they are now. Any profit sharing benefit now is taxable income.

Mr. Pickersgill: Would that not be the case under the present law even if this provision were not made?

Mr. Fleming (Eglinton): Yes. That is what I am speaking of now. In relation to any benefit that is now drawn, the employee is taxable in respect thereof as taxable income. The purpose of the deferred profit sharing plan is to relieve him of any tax in respect of contributions made into the deferred profit sharing plan by his employer on his behalf. He is not going to be taxed on those while they are in the plan and accumulating there. When he takes them out on retirement, then under this clause they will be taxable.

Mr. Pickersgill: I am not sure that I have this thing quite straight and I will try to put the point as simply as I can in order to see whether I have it straight. Is it the case now—if I may have the minister's attention—that even though they are paying into a deferred plan, they are taxed now?

Mr. Fleming (Eglinton): Yes. That is the whole point.

Mr. Pickersgill: Oh, I see. That is what I was seeking to get at. What this does is to treat them in the same way as contributions to a pension fund are treated—

Mr. Fleming (Eglinton): There will be a deferment in respect of them.

Mr. Pickersgill: Perhaps it would be a little bit easier if the minister would let me finish my sentences. I am really not seeking to make difficulties for him; I am seeking quite the reverse. What I am saying is this. As I see it now—and it is beginning to be quite clear—

An hon. Member: It is beginning to dawn.

Mr. Pickersgill: Yes; that is quite right. It is beginning to dawn. I do not apologize for that for unlike the minister I am not an expert on these matters. As I understand it now, if an employee receives a benefit under a profit sharing plan, even though he does not get it in cash but it goes into a deferment which he will receive at some future date, he has to pay income tax on it in this tax year?

Mr. Fleming (Eglinton): Yes.

Mr. Pickersgill: Just as at one time I believe it was true that even though you put money aside in a pension fund, before a change was made some years ago in the income tax it was taxed. This is just treating profit sharing in the same way as contributions to pension funds are now treated with approved pension plans.

Mr. Benidickson: If it is deferred.

Mr. Pickersgill: Pensions, of course, would be deferred. That is the situation if this is deferred, as the pensions are.

Mr. Fleming (Eglinton): Yes. Anybody who draws a present benefit under such a plan will continue to be taxable, in other words, if there is a profit sharing plan effective now. But if there is a deferred profit sharing plan that comes within the scope of the act and is approved in accordance with the provision of the clause to which we will come later, then tax liability thereon becomes deferred too.

Mr. Pickersgill: That is quite right; that is sensible.

Mr. Benidickson: I understand that the minister would prefer to make his statement when we come to clause 27 of the amending bill.

Mr. Fleming (Eglinton): The hon. member asked for a comparison of the provisions of this bill with those of the 1960 bill. I would suggest we could do that when we come to the provisions of this bill in clause 27.

Mr. Benidickson: I am satisfied with that suggestion. I know that, in a statute that has more than 100 sections, even an amendment of this kind involves consequential amendments to a number of paragraphs. However, I take it that when discussing clause 27 which adds a very consequential new item to our Income Tax Act, namely section 79C, we shall have from the minister an explanation that is worthy of the new law that he is introducing in this amending bill.

The Acting Chairman (Mr. McCleave): Shall clause 2 carry?

Clause agreed to.

On clause 3—*Certification fee paid to bank.*

Mr. Herridge: I have just one question to ask the minister on this clause. On page 2, at the top of the page, the paragraph reads as follows:

—by a volunteer fireman from a government, municipality or other public authority for expenses

incurred by him in respect of, in the course of, or by virtue of, the discharge of his duties as a volunteer fireman, as does not exceed $300;

Would that include volunteer firemen—

Mr. Fleming (Eglinton): Mr. Chairman, we passed that clause. We are on clause 3 of the bill.

Mr. Herridge: I ask your pardon, Mr. Chairman. May I ask the minister this question just at this time? I was waiting for this clause. It mentions government or municipality. I know a volunteer fireman who is serving unorganized districts, with fire brigades with $50,000 worth of equipment and so on. Would the tax exemption apply to volunteer firemen not working for a municipality or a government?

Mr. Fleming (Eglinton): If he is working for a public authority, it would apply.

Mr. Herridge: These are purely unorganized districts without any incorporation whatever, villages inside provincial jurisdiction.

Mr. Fleming (Eglinton): If he is working for a public authority, the clause covers it.

Mr. Herridge: They would be working for the community?

Mr. Fleming (Eglinton): If he is working for a public authority he is covered.

Mr. Herridge: What is a public authority?

An hon. Member: An incorporated town.

Mr. Benidickson: I draw the attention of the committee to clause 3, subclause (1) where reference is made to (cd). We see in line 35 reference to "not more than 90 days". As I understand it, this is a change in determination by the government. Why is this limited to 90 days?

Mr. Fleming (Eglinton): Because that is ample scope for the nature of the acceptances which are in contemplation here. This deals with bankers acceptances—acceptances by the banks of drafts. This provision will result in a situation where a taxpayer who sells a bankers acceptance at a discount will be able to deduct the amount of that discount when computing his income. This period is the ordinary limit on the period during which these drafts may be deferred until the due date of payment.

Mr. Benidickson: This is an amendment to the Income Tax Act. We had a discussion earlier about amendments to the Income Tax Act about which we had advance notice either in the budget speech or in the budget resolutions. This was not considered to be one of those in respect of which advance notice should be given—or am I wrong in that?

[Mr. Herridge.]

Mr. Fleming (Eglinton): There was no specific resolution with regard to this provision of the bill.

Mr. Benidickson: No, Mr. Chairman. You sat higher up earlier this afternoon when I indicated to you that we had before us a great number of amendments to the Income Tax Act which we had no opportunity to debate during the general budget debate, having had notice thereof by presentation of resolutions which are normally presented by the Minister of Finance after he makes his budget speech. That is significant and I hope Your Honour, now sitting at a lower level, will take notice of it. I do not intend to press the point, but I am going to say that in subclause (2) of clause 3 there is a reference to the individual. If you will look at the explanatory notes, Mr. Chairman, you will see that it appears that this amendment might have reference to personal corporations. We heard the astonishing statement from the Minister of Finance this morning, 20 days after the presentation of the budget that he intended to delete from this amending bill to the Income Tax Act all references to personal corporations. I indicated then that references to personal corporations occupied a substantial part of this amending bill. I wish to ask whether or not the minister has in mind making an amendment, now that we are discussing clause 3—

Mr. Fleming (Eglinton): No, Mr. Chairman. The first of the amendments will be reached—

Mr. Benidickson: I have the floor, Mr. Chairman. If I look at the explanatory notes on the righthand side of the copy of the amending bill, in the first line, referring to (da) I see that there is reference to a personal corporation there. I hope—

Mr. Fleming (Eglinton): There is no reference to a personal corporation here.

Mr. Benidickson: There is, indeed. The statute is recited—(da), the former one, the existing one. The first line says:

(da) Where the taxpayer is an individual, such part of any loan—

And so on. It is on that basis that I ask the Minister of Finance, having regard to his statement earlier today that he proposes to withdraw about one third of the amendments in this bill which relate to personal corporations, whether there is any readjustment that we should make in committee now, having regard to the fact that we are dealing here with the relationship between an individual and a personal corporation as referred to in the explanatory notes.

Mr. Fleming (Eglinton): No, Mr. Chairman. The paragraph (da) in the present bill refers to individuals or personal corporations. This

is now being broken down into two parts. (da) will relate to individuals and (db) to corporations.

Mr. Benidickson: Irrespective of the withdrawal of the changes?

Mr. Fleming (Eglinton): Yes.

Mr. Pickersgill: I wonder if the minister could give some explanation of the first subclause.

Mr. Fleming (Eglinton): About bankers acceptances?

Mr. Pickersgill: Yes.

Mr. Fleming (Eglinton): The hon. member is familiar with bankers acceptances. They have not been dealt with specifically in the act hitherto, but they are a form of short term borrowing which is coming increasingly into use in Canada. This is the point involved here. A businessman draws a bill on a bank payable in 30, 60 or 90 days. The bank accepts it and certifies that it will be paid when it falls due. The taxpayer sells the bill to a lender at a discount. In this way, the businessman obtains the equivalent of a short term loan and the discount is in place of interest. This particular subclause provides that where a taxpayer sells a bankers acceptance at a discount the amount of the discount may be deducted when computing his income.

Mr. McMillan: What is meant, in clause 3, by the phrase "dealing at arms length"?

Mr. Fleming (Eglinton): That is a well accepted expression. The definition appears in the act itself and the expression appears in various sections of the act. Broadly speaking, it signifies that there is no relationship between the two corporations or persons in question. It is a well established concept.

Mr. Pickersgill: Has the hon. gentleman thought about drawing that definition to the attention of a certain school board?

Clause agreed to.

On clause 4—*Limitation re contributions under deferred profit sharing plan.*

Mr. Benidickson: On clause 4, my inquiry would be directed to the phrase "an amount paid by an employer". What is the difference between an amount paid by an employer as contemplated in this amending bill and an amount paid by an employer hitherto?

Mr. Fleming (Eglinton): I do not understand the hon. gentleman's question. This clause is consequential on the introduction of the provisions for the new class of deferred profit sharing plans under clause 27. It provides that no deduction shall be made for an amount paid by an employer under a profit sharing plan which is not a recognized profit sharing plan or a registered pension plan. There is no interference here with the present provisions of the act in relation to pension plans.

Clause agreed to.

On clause 5—*Indirect payments.*

Mr. Pickersgill: Mr. Chairman, since we have heard very little discussion in the committee I do not think we should carry any of these clauses without having a very brief explanation from the minister as to what actually is involved.

Mr. Fleming (Eglinton): There is a very simple change involved in clause 5 which is set out in the explanatory note. This amendment simply substitutes the word "property" for the expression "money, rights or things" in order to include real property.

Clause agreed to.

On clause 6.

Mr. Benidickson: Mr. Chairman, in regard to clause 6 I must confess that I have not properly followed up a concern which has arisen in my mind on reading the explanatory note in regard to the expression "benefit under a deferred profit sharing plan". It is suggested in the explanatory note that this expression is defined by clause 39 to mean that portion of any amount received by a beneficiary under a deferred profit sharing plan which must be included in computing income.

Mr. Fleming (Eglinton): Mr. Chairman, the hon. member is referring to the wrong clause. We are considering clause 6 which simply concerns the sale of depreciable property where the sale price consists of a mortgage. It has nothing to do with deferred profit sharing.

Mr. Benidickson: Perhaps the minister will refer to page 3 on the right where it—

Mr. Fleming (Eglinton): We are dealing with clause 6 as it appears at page 5.

Mr. Pickersgill: Mr. Chairman, I thought I might save a little time by not repeating my request in respect to each clause that the minister say a brief word explaining the clause.

Mr. Fleming (Eglinton): Mr. Chairman, this amendment is related to the amendment provided in clause 3, subclause (7), concerning the sale of depreciable property where part of the sale price consists of a mortgage. This clause covers the situation where a mortgage is sold in the same year as the depreciable property. It will be noted, Mr. Chairman, that provision is made here that

where the principal amount of a mortgage or hypothec was included in the proceeds of disposition of depreciable property, in respect of which there are capital allowances, and in the same year the mortgage or hypothec was sold at arm's length for less than the unpaid balance of the principal amount, then the loss may be deducted from the proceeds of the disposition.

Mr. Peters: Mr. Chairman, here again we see the expression "at arm's length". It appears a great number of times and sounds quite amusing to me. Is it a legal expression, and what is the definition of it?

Mr. Fleming (Eglinton): Mr. Chairman, section 139, subsection (5) of the act defines the expression. It is a well established one and has been used throughout the act for a long time. The expression appears in various sections of the act so the controlling definition applies to them all.

Clause agreed to.

On clause 7—*Bond conversion.*

Mr. McMillan: Mr. Chairman, could the minister explain this clause?

Mr. Fleming (Eglinton): This is a provision covering the situation where one bond of a debtor is exchanged for another bond under a conversion arrangement which was provided for in the terms of the original bond. The new bond will be regarded for tax purposes as if it were merely a continuation of the original bond.

Mr. McMillan: Will the minister say how income tax is computed in connection with earnings from treasury bills? For instance, I understand that treasury bills bear the value that is to be received at the end of 90 days. Is that capital gain or is that earnings?

Mr. Fleming (Eglinton): No, that is the equivalent of interest. Let us say that a treasury bill is sold at 99 cents, and when due, 100 cents are paid. That difference which really was a discount is the equivalent of interest on the 99 cents and accordingly is income.

Clause agreed to.

On clause 8.

Mr. Benidickson: Mr. Chairman, this clause has reference to family assistance payable to immigrants which could be related to family allowances. What are the amounts payable under the other statutes relating to the children of immigrants which might be related to this amendment?

Mr. Fleming (Eglinton): Mr. Chairman, this is an annual clause which has been included in the income tax amending bill each year since 1956. I think the hon. member himself piloted the first clause of this kind through the house in 1956.

Mr. Benidickson: Mr. Chairman, I wish to have stated for the record the amount available to the children of immigrants.

Mr. Fleming (Eglinton): Well, it is the family allowance that is payable after—

Mr. Benidickson: Oh, no.

Mr. Fleming (Eglinton): This is family assistance of $5 per month, and this clause, which has become standard now, simply carries into 1961 the same provision enacted first in 1956, that children in respect to whom such amounts are paid as family assistance to immigrants and settlers shall be classed as children qualified for family allowance for income tax purposes. In other words, the allowance is $250 for children under 16 years of age and $500 for children 16 years of age and over.

Mr. Benidickson: Mr. Chairman, if an immigrant arrives in September, shall we say, and receives this family assistance for three months of the taxation year, would he then deprive himself of the normal deductions for an allowance for a dependent child? Is that the effect of it? Would the minister relate to the committee the mathematics of this situation? What would the immigrant gain or lose if he arrived in Canada in September of 1960 and became taxable on December 31 as a taxpayer in Canada had he not received family assistance as an immigrant?

Mr. Fleming (Eglinton): The taxpayer would have the option in that case. If he thought it was to his advantage not to take the childrens' assistance then obviously he would decline it and claim the benefit of the higher deduction on account of dependent children when he pays his income tax.

Mr. Pickersgill: That is the same option, is it not, that the recipient of family allowance would have?

Mr. Fleming (Eglinton): No, there is a difference.

Mr. Benidickson: It is obligatory in the case of family allowance.

Mr. Fleming (Eglinton): In the case of family allowance there is a provision that the parent is deemed to have received the family allowance. My understanding is that there is no option extended to him. However, that does not apply in the case under discussion.

Mr. Pickersgill: Mr. Chairman, I should like to have this cleared up. With my customary modesty I remind my colleague, the hon. member for Kenora-Rainy River that I was the minister responsible for establishing family assistance, and I certainly have no apology to make for that. The only thing I regret is that this government, which has done so much for social justice, according to its own claim, might have brought family assistance up to the same level as family allowance the next time it is considering doing anything about social justice, which I wish we could have done in the first place, but we were trying not to have deficits. The thing I wished to get clear is this. Does a person in receipt of family allowance, if he receives it for only one month of the year, thereby have to take the lower allowance under the Income Tax Act?

Mr. Fleming (Eglinton): I take it in the case the hon. gentleman is putting the child is born—

Mr. Pickersgill: On December 1.

Mr. Fleming (Eglinton): —on December 1. Well, the provisions in the act are based on eligibility of the child for family allowance. Now, what the parent may lose in the one case he will make up in the year when the child moves off family allowance. There is equity in the long run.

Mr. Pickersgill: But in the case of family assistance—

Mr. Fleming (Eglinton): Section 139 (1) (f) reads:

> "child qualified for family allowance" means a child who, in the last month of the taxation year in respect of which the expression is being applied, was or might have been qualified by registration under the Family Allowances Act, so that an allowance under the said act was or might have been payable in respect of that child for that month or the immediately following month.

Mr. Pickersgill: I think that fairly explains the point. The minister has said that in the case of family assistance it is at the option of the immigrant. If the immigrant does not in fact apply for and draw family allowance the income taxpayer in respect of that child would be qualified for the higher allowance under the Income Tax Act rather than the lower one.

Mr. Fleming (Eglinton): Yes, the higher deduction.

Mr. Benidickson: In the case of a child of a Canadian resident, I take it whether or not the parent has announced the birth of the child and has applied, on the statement that he makes in his income tax return, whether he has received family allowance or not, he will be presumed to have received the allowance. Is that the present effect of the law?

Mr. Fleming (Eglinton): It is not quite that; rather the act says that the right to the deduction in respect of that dependent child depends on whether the child is qualified to receive family allowance. That is the test. If the child is qualified to receive family allowance, then the parent cannot have the benefit of the larger deduction in respect of the maintenance of that child that he otherwise would have.

Mr. Benidickson: I think the minister has somewhat evaded my question. I take it the child would be qualified by reason of the fact of birth and the date of birth. Is that not right?

Mr. Fleming (Eglinton): Of course, there is more than birth involved; there are birth, residence, and the residence of the parents as well.

Clause agreed to.

On clause 9.

Mr. McMillan: I am glad to see that the minister has included laryngeal speaking aids. I wish to ask the minister a question about certain orthopedic beds. I really do not know whether or not they are covered. I have in mind orthopedic beds for patients who are paralysed generally owing to motor accidents. I know one or two cases where they have to buy those expensive beds and they will be in bed for practically the rest of their lives. These are cases where the cord is cut. I wonder whether beds of the type I have mentioned are included?

Mr. Fleming (Eglinton): The answer is no, Mr. Chairman. As the hon. member will see by looking at the present clause, provision is made for a rocking bed for poliomyelitis victims but not for other kinds of beds.

Mr. Benidickson: I have read and reread the remarks of the minister on June 20 when he in effect took off the ceiling on the expenses of a taxpayer for medical purposes. He certainly aroused our sympathy by some of the illustrations he mentioned on June 20. However, I recall that this was resisted in the past by those who had some regard for the revenue of the crown, not on the grounds of inhumanity at all, but on the grounds that it might give a special privilege to people who might misuse this right of tax deduction if there were not some regulations. I am getting a little aged myself. Can I be assured that I would not be permitted to go down to Florida with a nurse, in the interests of my health, and that after certification the expenses of the

beautiful nurse and, of course, the doctor's expenses that might be attributed to my requirements would not qualify under this clause that removes the ceiling? I think that was the attitude in the past.

I have regard for the fact that the purchasing power of the dollar has decreased considerably in recent years. The wages of those whom we employ and need for our medical health continue to go up. In the past our reason for having a ceiling here was to make it impossible for the ultra-rich to get a special benefit in so far as tax deduction was concerned by, as I say, going to health homes that were not open to the ordinary person but were open to the wealthy taxpayer where he could go with all the accoutrements that might be called specialized services. I wish to know whether the minister has looked into this and why he has departed from the judgment of his predecessors? I know that his predecessors had sympathy for those who had very high medical expenses but there was some justification for having a limit on the amount that could be deducted from taxable income. I wish to have the minister's assurance that he feels that abuses cannot be committed under a clause of this kind, abuses such as I have facetiously presented to the committee.

Mr. Fleming (Eglinton): There is no change in the definition of what are admissible medical expenses. The clause simply removes the ceiling. As I suggested in the budget speech, one man as a result of misfortune may incur as large medical expenses in one year as another man may incur in a lifetime. Last year we invited the house to increase the permissible ceilings and the house responded. I think I may say that there was quite a measure of warm approbation of the proposal voiced in all parts of the house. This year we are asking the house to go a step further and remove that ceiling and, I think, to do so in the interests of fairness for all taxpayers who may have this misfortune.

Mr. Benidickson: I have the utmost sympathy for all taxpayers who have a very heavy burden of expense in connection with ill health, accident or otherwise. I just want to make sure that we are not creating here an opportunity for inequality in the tax advantage that is possible under our law in respect of this provision. I recall that in the past I supported a ceiling on the maximum amount of deduction that would be possible. I would support today a spreading or averaging of legitimate, unavoidable and unfortunate medical expenses in one year over perhaps three or four years.

[Mr. Benidickson.]

I simply raise the question here whether this provision does not give people in a very high income bracket an opportunity deliberately denied them in the past whereby such people were not able to deduct as a medical expense the cost of a qualified nurse or somebody else to push around a sick person in a wheel chair in Florida. I raised this matter in past years simply on the ground of fairness in our income tax structure. I quite agree with what the minister said on June 20 with respect to the catastrophic results in the case of a taxpayer involved in an automobile accident, let us say, who has expenses going away beyond the maximum deduction that has been allowed up to now. Having regard to our progressive tax rates I simply raise the question of whether or not in fairness the amendment would not have been better if we had allowed, in the case of an excessive amount of medical expenses, a carryover from one year to the next so that a taxpayer having an excessive amount of medical expenses in 1961 could average them over the years 1961, 1962 and 1963. I am solely concerned with the facts of life here. This is a matter to which I paid a great deal of attention when I was on the other side and I was persuaded that such a move was not desirable because the complete removal of the ceiling on deductions with regard to medical expenses could result in unfairness between the rich and the poor.

Mr. Herridge: I have one question on clause 9, subclause 1. The amendment adds the underlined words "laryngeal speaking aid" so that the cost of such a speaking aid can be included in medical expenses. Can the minister inform the committee whether there are other types of speaking aids than laryngeal?

Mr. Fleming (Eglinton): This refers to speaking aids for those who have suffered cancer of the throat.

Mr. Herridge: It does not provide for other types of speaking aids?

Mr. Fleming (Eglinton): No. I am not aware of other kinds that enable individuals to speak. This speaking aid is one that is attached to the larynx in some way to enable someone who otherwise would not have the power to speak to be heard and understood when the apparatus is turned on.

Mr. Herridge: Can we take it that it means any speaking aid that is required to aid a person to speak?

Mr. Fleming (Eglinton): If it is a laryngeal aid, yes. It would not apply to a microphone or horn that somebody used to make himself heard in the great outdoors. It is one that is

related to the larynx in the sense that otherwise the larynx is not functioning in an audible way. The kind of speaking aid we are thinking of here is well known and it has brought back the power of speech to many who have suffered loss of speech through cancer of the throat.

Mr. Herridge: I asked the question because there are other names used for different types of speaking aids and I wondered whether they were included.

Clause agreed to.

On clause 10.

Mr. Pickersgill: What is involved here?

Mr. Fleming (Eglinton): Subsection 2 of section 31 of the act is repealed because it is no longer required. The matter is dealt with under the Canada-United States income tax convention.

Clause agreed to.

On clause 11—*Income from duties performed in Canada.*

The Chairman: I understand there is an amendment to this clause.

Mr. Benidickson: On clause 11—

Mr. Fleming (Eglinton): Perhaps I might deal with the amendment first. On page 7 in clause 11 we come to the first of the amendments. I might say that the amendments are to be found in *Votes and Proceedings* of July 5, on page 1 of the appendix and in *Votes and Proceedings* of July 7, page 1 of the appendix, and then there are the further amendments which I have indicated today in relation to personal corporations. They are all set forth on the sheet which has been made available to the Chair and to hon. members. The amendment now proposed is that indicated as "(a)" on the sheet which you have, Mr. Chairman, and I would ask my colleague, the Minister of Mines and Technical Surveys, to move that amendment.

Mr. Comtois: I move:

That Bill C-120, an act to amend the Income Tax Act, be amended by striking out lines 41 and 42 on page 7 and substituting therefor the following: "the year in which it was received, from duties that shall be deemed to have been performed by him in Canada in that year, unless it can be established, by subsequent"

Mr. Fleming (Eglinton): Perhaps I might say a word about the significance of the amendment. It adds the words "that shall be deemed to have been" after the word "duties" and it adds the words "in that year" after the words "in Canada". The words are added for clarification.

Mr. Benidickson: I direct myself at the moment exclusively to the new amendment. Does it result from any representation from any other government such as that of the United States?

Mr. Fleming (Eglinton): No, Mr. Chairman.

Mr. Benidickson: I look at the explanatory notes—

Mr. Fleming (Eglinton): I might say that this did emerge out of discussions with representatives of the tax foundation last week.

Mr. Benidickson: I go to the end of subclause (d) and I refer to the words:

... unless it can be established, by subsequent events or otherwise, that the payment was made as part of a series of annual or other periodic payments payable throughout the lifetime of the payee.

I direct my inquiry to those words although there is a much longer part of the new section 31A preceding them. Does that mean that in the opinion of the administration it must be almost on the basis of a perpetual income, a lifetime basis, if a person receives a benefit of this type for performance of a service in Canada and then resides elsewhere?

Mr. Fleming (Eglinton): This provision draws a line of distinction between lump sum payments and pension payments. This clause 11 of the bill, Mr. Chairman, deals with lump sum payments to former employees. It is designed to close a loophole.

Mr. Benidickson: I think the minister is endeavouring to assure that a longtime resident of Canada who has earned his income in Canada is not going to get from his employer, on conclusion of his employment, a substantial lump sum and then vanish to another country. I am referring to a capital sum, a lump sum.

I am concerned with the qualifications in the last part of this clause which refer, as I described a moment ago, to taxable lump sum payments when he leaves the country, and that is all that we can regard as his reward. I am concerned about the periodic payments. Do they have to be regular or are they only periodic to qualify under the provisions of this clause? In other words, is it going to be necessary, to avoid this impost, in the case of a person who has earned an entitlement from his company to a lump sum payment or some form of retirement award, that that reward be paid regularly up until the time of the death of the employee or does the word "periodic" have reference to a series of annual or other payments, perhaps for two or three years and

then we forget all about it? What has the administration in mind in introducing this protection? I am in sympathy with what the minister is trying to do.

Mr. Fleming (Eglinton): If the hon. member will look at lines 44 and 45, I think he will see the answer to his question. There is reference there to a series of annual or other periodic payments payable throughout the lifetime of the payee.

Mr. Benidickson: I saw that, and I just wanted confirmation of the fact that the reward payable after retirement to someone in Canada, before leaving Canada, would not be an undue amount, but it would be related more or less to an annuity. Would it be related more or less to an averaging out through his lifetime of a benefit, as is the case in connection with a pension fund? Why does the act not state that?

Perhaps I have not stated it too clearly. Why is it not clear here that it must be what I, in my ignorance, would call a pension or annuity rather than periodic payments payable throughout the lifetime of the payee? I raise this question with the minister. Would it be possible for a senior executive of an important corporation to receive, at the termination of his employment, a very large lump sum payment, with the other part of the recognition of his lifetime service still payable in annual or periodic but nominal payments throughout his lifetime? The language disturbs me.

Mr. Fleming (Eglinton): I am doing my best to follow the hon. member, but I am having some difficulty. This language, a series of annual or other periodic payments payable throughout the lifetime of the payee, clearly means a pension for life. It may be payable in annual instalments or it may be payable in quarterly amounts or in some cases in monthly amounts. These are periodic payments and they are payable throughout the lifetime of the payee.

Mr. Benidickson: In other words, I would imagine it was the intention of the draftsman that if there was a capital value, let us say, of $50,000 of a retirement benefit it would not be possible in the contemplation of the department for the retiring employee who left Canada to receive $40,000 in cash and then receive an additional $10,000 in cash on the basis of annual or other periodic payments payable throughout the lifetime of the payee.

Mr. Fleming (Eglinton): In the case put by my hon. friend, I think there is no doubt that the lump sum would be taxable, but the pension that is payable on a true life basis, of course, would escape taxation.

Amendment agreed to.

Clause as amended agreed to.

On clause 12.

Mr. Pickersgill: Has the minister anything to say about clause 12?

Mr. Fleming (Eglinton): Again, Mr. Chairman, this is an amendment that is consequential upon the introduction of the provision for profit sharing. It simply provides that a benefit under a deferred profit sharing plan shall be classed as earned income and in that way it is in complete harmony with clause 2 of the bill of which we have already approved.

Mr. Benidickson: In clause 12 we are dealing with a matter which relates to another amendment we had when we were dealing with the supplementary budget in December. It relates to section 32 (5) dealing with earned income. I do not believe the minister has properly indicated to us the relationship of this amendment to what was contemplated then. We had the deferred profit sharing introduced, of course, in the spring of 1960, and I think the minister should explain what is involved in this clause.

Mr. Fleming (Eglinton): This clause is simply the counterpart of clause 2 which has been approved. Clause 2 provides that the amount received by a taxpayer under a deferred profit sharing plan shall be included in computing income. Clause 12 proposes to amend section 32, subsection 5 (a) of the act so as to make it quite clear that a benefit received under a deferred profit sharing plan shall be classed as earned income. It is a consequential amendment.

Clause agreed to.

On clause 13—*Deduction from tax when resident, etc. in province.*

Mr. Fleming (Eglinton): I told the hon. member for Burnaby-Coquitlam that on clause 13 I would answer the question he asked when he was here and explained that he would not be able to be here when this clause would be reached. As the note indicates, this clause is to provide for a reduction of the personal income tax for the years 1962 to 1966 inclusive in accordance with new fiscal arrangements with the provinces commencing April 1, 1962.

The present Federal-Provincial Tax-Sharing Arrangements Act will expire or its operation will not extend beyond those payments provided for at the end of this present fiscal

year. Clause 13 is designed to lay the groundwork for certain reductions that will be provided under the federal income tax. The purpose will be to enable the provinces which desire to enter this tax field to occupy it to whatever extent they wish to occupy it. When we reach item No. 9 on the order paper I shall have something to say about the proposal made there by the federal government for the benefit of the provinces in relation to collecting provincial personal income tax and corporation tax. However, the purpose of this clause is to provide—and we have to do it this year in order to make it clearly applicable to next year and so that the provinces may make their plans this year accordingly—for the deduction from the basic federal tax. This could be done by way of an amendment each year in advance. We could have an amendment this year providing in 1962 a deduction of 16 per cent. We could have an amendment passed next year to provide that with respect to the year 1963 there would be a 17 per cent deduction and so on throughout the five year period. But it was in keeping with the wishes of the provinces that they should know clearly in advance by federal statutory enactment what the percentages would be, and so we are asking parliament to make this provision for the rising percentage of deductions from the federal income tax in favour of the provinces year by year for the next five years.

Mr. Pickersgill: I do not intend to embark upon a debate upon item No. 9 on the order paper at this time. I do not think that procedure would be appropriate. However, we cannot possibly let this clause go by without pointing out what it is really seeking to do. If I sought for one word by means of which to describe this clause, I would call it the repudiation clause. We all remember that at the federal-provincial conference, not the last meeting but the one previous to the last one, the Prime Minister spoke and gave an unqualified undertaking that the principle of equalization would be maintained. This clause is a clear repudiation of the principle of equalization.

Mr. Fleming (Eglinton): Not at all.

Mr. Pickersgill: If the minister wishes to provoke a lengthier discussion, he can go ahead. However, I intend to say what I wish to say about this matter regardless of interruptions.

The principle of equalization is the principle that the revenues of the provinces from the three direct taxes shall be brought up to the level of the two top provinces—that is to say the two provinces with the highest per capita return from the income tax—in respect of the rate that is allowed to the provinces as an abatement or a reduction from the federal rate. That is not expressed as felicitously as it is expressed in the statutes but I think the meaning is very clear.

The effect of what is being done here will be that those provinces which have the highest per capita income, particularly Ontario and British Columbia and really in fact only Ontario, will get a larger and larger share and the national treasury a smaller and smaller share of the total income tax collected in this country. That is what is going to happen. The principle of equalization is not totally abandoned. However, the principle of equalization is not being carried on in the way in which the Prime Minister in quite unqualified language to the premiers said it would be carried on.

When the minister said that this was to carry on the new arrangement with the provinces, that is certainly stretching the word "arrangement" far beyond any definition that the minister could find in any dictionary. An arrangement suggests at any rate some understanding between the parties. Anybody who has read what the premier of Manitoba, a supporter of this government, has had to say about this subject, to say nothing of some of the things that are said by the premier of Saskatchewan and some of the other premiers including the premier of New Brunswick will have no doubt that there was no arrangement whatsoever. There was a "diktat" which was called a suggestion. But these soft words do not change the real nature of things. The provinces were told this: "You can go and collect your own taxes. If you fix them on our scheme without any deviation, and if your act is a direct copy of the federal act, we will collect the taxes for you, but you have got to impose them yourself and that is final. If you make any variation whatsoever in your scheme, then you collect them yourself too."

Of course there were two purposes in doing this. The hon. gentlemen who now occupy the treasury benches, and particularly the leader of the government, had promised Mr. Frost $100 million, and they could not find $100 million to give him by the front door. This is an attempt to give him an instalment of it by the back door without giving anything comparable to the other provinces. That is what it is. It is making a large area, which will ultimately be 20 per cent in the case of the present income tax available to Ontario and also, it is true, available to Newfoundland, Manitoba, Saskatchewan and New Brunswick as well but without any equalization to those provinces. Ontario will get indeed as a benefit into its treasury more than the amount under equalization, as it

does now, of course, because equalization is based on two provinces, not one. But even in Ontario it is a great deal less than Mr. Frost was promised in those happy days of long ago in 1957.

Mr. Benidickson: Everybody was let down.

Mr. Pickersgill: But Mr. Frost has been discounted only by 50 per cent or 60 per cent. Some of the other provinces are being discounted by 70 per cent or 80 per cent or more of what was promised in those days. However, as I say, I am not going to enter into an extended debate at this stage. There is another stage when that can be done. However, I just wanted to be sure that nobody in the committee was under any illusion about what this is. Of course, it is going to look good. The federal tax is going to go down; although the provincial tax will go up at least as much. But then they will be able to say, "Look at what we did for you". Then they will say "that wretched fellow out there in Alberta" or in Saskatchewan, perhaps they will not say "wretched fellow" in Manitoba but they will say "unfortunate fellow". Of course, the person whose body is really laid on the altar by this proposal is the premier of Manitoba. I imagine that every time the premier of Manitoba thinks of that slogan he used, namely "What Dief did, Duff will do" he undoubtedly wishes he had never said it because what Dief has done to Duff, Duff will never be able to undo. And this is where it is being done—right here in this repudiation clause of this bill to amend the Income Tax Act. Everybody in Manitoba knows it. Of course, it is being glossed over by various other provisions which would be beyond the scope of this bill, and I am not going to cause you any pain, Mr. Chairman, by dealing with those other things. The plain fact is that no concession is being made to anybody by this, not even Ontario. It is true that Ontario will receive a larger share of the personal income tax than the province is getting now. That is true. The share will be a little larger. But it will be nothing like what was held out with great hope and without requiring any action of the Ontario legislature four years ago.

Perhaps I was rash. Perhaps I should not have said that one word would describe this clause. This clause can be described as the repudiation and disillusion clause. It means disillusionment for Mr. Frost and deeper disillusionment for the premier of every other province in this country. Everyone knows that I am not normally a tremendous admirer of the premier of Saskatchewan but he has a capacity in this particular field, which he understands very well, to express things exactly, and he says this is just a return to the tax jungle of the thirties. Well, we seem to be returning to the thirties in a great many ways in the sixties, and this is just another example.

There is one very important question which arises. These reductions are to come into effect on January 1. That means that unless every provincial legislature in this country meets later this year and imposes additional taxes there will be a period early next year when the total tax will be lower. Then the provincial governments, in order to get revenue, will have to increase their taxes and incur that onus because of this totally unnecessary and totally retrograde measure and because of the repudiation of the word given by this government to the premiers. The result is that we are going to have confusion, we are going to have a tax jungle, and we are going to see a great deal of unnecessary public misunderstanding.

Let no hon. gentleman on the other side say the government is decentralizing and returning to the provinces their rights. The provinces have always had their rights. The province of Quebec exercised its right and still exercises this right. One respects them for doing this, because they want to do it that way. But surely, when the government of Newfoundland and the government of Nova Scotia, the government of New Brunswick and the government of Manitoba do not want to have to go to the expense, trouble and annoyance of having a separate income tax and are quite satisfied with the arrangements which have brought order into our national finances out of the chaos which Mr. Mackenzie King found when he came into office in 1935, the government of the day should not be considering so retrograde a step as this. Surely, this is a terrible thing to be doing now—to try to plunge this country, and particularly the poorer provinces, back into that chaos from which the wise and courageous policies of the Liberal government have carried us in the years between 1945 and 1957. We had reached the point where even the intransigent premier of Quebec, the late Maurice Duplessis, said, after the system of equalization was substituted for the system of tax rentals four and a half years ago, "It is still not what I want, but it is much better than anything we have ever had before." He said that, and, what is more, he took the money. He took the money and he was very glad to get it, because if he had not taken it the province would have been bankrupt. Those are the facts. They are incontrovertible, and notwithstanding the money which the province took in those last few years the pro-

vincial treasury was more or less bankrupt when, finally, his successors were defeated.

I say this is a retrograde step. It is a repudiation of the principle of equalization which has brought order into our national finances and into federal-provincial relations. This alone, if there were nothing else in this bill, would merit condemnation of this measure.

Mr. Argue: Members of the C.C.F. group over the years have been strong supporters of federal-provincial tax agreements and the equalization which has flowed therefrom. We feel that the tax agreements, if continued, will enable the federal government to co-operate with the provinces to bring a greater measure of equality into the financial resources of the various provinces which make up our country.

We think this is a backward step. We think the government has not endeavoured in any way to get taxation agreements as heretofore but has gone to the provinces on a take it or leave it basis. The government, by this measure, is saying that it is ceasing to discuss with the provinces any alternative proposals. The premier of Saskatchewan, in correspondence with the Prime Minister, has asked that before a measure of this kind is undertaken there should be another federal-provincial conference—a final conference as he put it—to deal with the matter, the precedent for this being the 1956 arrangement of the St. Laurent government.

We are being asked to pass this particular clause before having had a general debate on federal-provincial financial agreements. We think this is putting the cart before the horse. We should have had an opportunity to debate the general agreements before being presented with this measure which, when passed, will be a *fait accompli*. It will mean that the provinces have no alternative but to accept it and that the debate on the general taxation agreements will take place after the government and parliament have committed themselves to a particular course.

We think this measure demonstrates that federal-provincial relations in Canada are at an all-time low. The provinces across this country have registered many objections to a proposal of this kind. The province of Ontario will, of course, be placed in a position to make a substantial gain, but the whole principle of equalization is being repudiated. People in certain provinces will have definite advantages, but the principle of equalization has gone down the drain.

Mr. Chairman, we shall have further speeches to make when we are on the resolution itself, but we state now that this is a retrograde, a backward step.

Mr. McMillan: Mr. Chairman, I am wondering what allocation will be made of this income tax to the provinces. I refer to a taxpayer who might live in one province and earn his living in another. Subclause (3) of clause 13 appearing at page 9 of the bill says "income earned in the taxation year in a province". Should that read "in the province", or what is the meaning of that?

Mr. Fleming (Eglinton): Mr. Chairman, so far as this clause of the bill is concerned, we are dealing here with income that is subject to federal taxation. For this purpose it does not matter in which province the money is earned. The matter determining the time and place of the earning of the income as among the provinces is something we will be dealing with in another connection.

So far as this particular clause is concerned we start with federal tax, and there is provision for a reduction corresponding to the kind of abatement we have under the present tax rental system. It will be available in the case where the income is earned in the taxation year in a province, the purpose being to enable the provinces—those which wish to do so—to legislate for the purpose of applying a provincial income tax on the said income.

Mr. Winch: Mr. Chairman, I have been told and I have learned on more than one occasion that the longer one is a member of parliament the less one should be amazed at what goes on. I must say I am somewhat astounded that we should now be discussing a clause such as clause 13 of Bill No. C-120. I have learned from reading clause 13 and the explanatory note what the minister has in mind, and I say bluntly that I think it is the height of audacity, hypocrisy and impudence for us to have before us now a proposed taxation change before we have discussed the principles of the resolution dealing with new dominion-provincial fiscal arrangements. Surely, Mr. Chairman, the procedure is to pass the principles first and then to proceed with the arrangements. This fiscal policy began in 1941 and continues until the end of March next year. A change is proposed in the contractual basis of the fiscal arrangements which surely should be made before we actually deal with the Income Tax Act, this week, next week, or at some future time. In other words, this is accepted now as a *fait accompli* without our having discussed the principles of the new agreement. I say that is wrong.

Mr. Fleming (Eglinton): Mr. Chairman, with all respect, the hon. member is mistaken. That point was discussed earlier. The house gave approval to the principle of this

bill in adopting second reading at noon today. We are now in the committee stage dealing with the clauses of the bill. There is on the order paper a resolution dealing with the proposed federal-provincial fiscal proposals for the ensuing five years. I hope we will be discussing that very shortly. I intend to make a statement in regard to that subject as soon as the item is called.

By this bill we are simply carrying out an undertaking given to the provinces. The provincial governments all understand that they will have to call sessions of their legislatures this fall in order to enact the necessary legislation, and it is highly desirable that the provincial governments know precisely what parliament has enacted. There is no question here of jumping the gun or anything of that kind. There will be a full opportunity to discuss the principles of that proposed federal-provincial proposal. The principle of this bill was approved today by the house when second reading was given and it was referred to the committee.

Mr. Winch: I understand that, Mr. Chairman, but I say that the basic principle of this clause is dependent upon the passage of that resolution and the resulting bill which we still have not before us.

Mr. Fleming (Eglinton): Mr. Chairman, the hon. member is well aware that under the existing system legislated under the Federal-Provincial Tax-Sharing Arrangements Act there is provision for abatement in the case of a province which chooses to collect its own personal or corporation tax. The provision contained in clause 13 is the counterpart of that kind of abatement. It provides for the counterpart of that kind of abatement which will exist under the proposed new system.

Mr. Winch: It is dependent upon the other bill being passed, is it not?

Mr. Fleming (Eglinton): If the hon. member is attempting to preserve his right to discuss the other measure fully, I might say that by the adoption of this clause his right to debate or discuss the other measure will not be abridged at all. Parliament can approve this provision and still decide not to approve the other resolution. It is dependent upon the will of the house.

Mr. Chevrier: Mr. Chairman, clause 13 deals with income tax arrangements. Where is a reference to that to be found in this bill? Where is there any reference to corporation taxes, because that too is involved in the arrangements between the federal and provincial governments.

[Mr. Fleming (Eglinton).]

Mr. Fleming (Eglinton): Mr. Chairman, we will be dealing with that subject when we reach clause 19 appearing at page 12.

Mr. Peters: Mr. Chairman, does the minister realize that if he continues the formula he is now putting forward, by the year 2046 we will no longer be in this field?

Mr. Fleming (Eglinton): This provision runs up to and includes the year 1966.

Mr. Pickersgill: Mr. Chairman, I shall be brief. Was the hon. member for Welland rising?

An hon. Member: Get up and get on with it.

Mr. Pickersgill: Mr. Chairman, I intended to pursue very briefly the question which the hon. member for Welland asked in respect to which the minister suggested it could be settled effectively when the other measure is before us. Surely these abatements which are laid down in this bill are going to be based on some appreciation of what province the tax is attributed to. I suggest there are going to be problems in this context. The federal parliament can say what its view is as to whether the income is earned in Quebec or in Ontario—that is taxable in Quebec or Ontario—but so long as the legislature of Quebec or Ontario puts on a direct tax, it can be put on any basis it likes.

Mr. Fleming (Eglinton): It still has to be constitutional.

Mr. Pickersgill: Yes, but the province can put on a direct tax in respect to anyone subject to its jurisdiction. There is no question whatever about that. It does seem to me that although it will not be as great in the case of individuals as in the case of corporations it is going to be a real problem in the determination of how much of the federal tax was in fact collected from taxpayers in Quebec, how much from taxpayers in Nova Scotia, how much from taxpayers in Ontario, so as to know what the value of the—

Mr. Fleming (Eglinton): That is not a new problem. We have that problem today. There are two provinces which collect taxes wholly or in part. This problem is not a new one.

Mr. Chevrier: Mr. Chairman, in respect to this matter, the minister seems not to have dealt with the charge made by the hon. member for Bonavista-Twillingate, that this was an attack on the principle of equalization. I should like to confirm what the hon. member has said by putting a statement on the record to that effect.

Mr. Fleming (Eglinton): The fact is this does not touch that matter at all.

Mr. Chevrier: It does.

Mr. Fleming (Eglinton): With respect to the hon. member, no.

Mr. Chevrier: Will the minister allow me to complete what I have to say and perhaps he could then comment on it.

Mr. Fleming (Eglinton): It is really out of order here; it does not apply to this clause at all.

Mr. Chevrier: It is not out of order here. You say clearly that this new section provides for a reduction of the personal income tax for the years 1962 to 1966, inclusive, in accordance with new fiscal arrangements with the provinces commencing on April 1, 1962. Therefore there is of necessity a reference to the fiscal arrangements made between the federal government and the provinces.

Mr. Fleming (Eglinton): Not the equalization; this has nothing to do with that.

Mr. Chevrier: It has been said that the principle of equalization has been abandoned and I simply wish to confirm that by reading a statement made by the premier of Quebec following the last meeting which took place and which is reported in the Ottawa *Citizen* of February 25, 1961 in an article entitled:

Premiers' reaction mixed to P.M.'s new tax proposal

This is the statement:

The equalization formula, of which Quebec is currently the biggest beneficiary, has been changed in such a way that it is no help either. Not until the fourth or fifth year of the new tax-sharing agreement, by finance minister Fleming's estimate, will the government of Quebec qualify for anything more than the guaranteed floor equalization payment.

On the same subject the Toronto *Globe and Mail* of February 24 carried an article under the heading:

Lesage calls plan smokescreen

The article reads in part as follows:

"We are offered a so-called national formula which is applicable only to Ontario," he said.

This is the premier of Quebec speaking: I continue:

The other nine provinces must rely on special guarantee clauses in order to prevent equalization income from falling, he explained. The guarantee clauses have become necessary because the proposed formula would include provincial revenue from natural resources and use the national average as a base instead of the average of the two richest provinces.

Mr. Fleming (Eglinton): Nothing in this—

Mr. Chevrier: The article goes on to say:

The Quebec premier accused Prime Minister John Diefenbaker of laying down a smokescreen by telling the provinces to assume their constitutional responsibilities and collect their own taxes. Quebec has been denying corporation and personal income taxes for some years.

"This is a smokescreen to allow his Tory members to come into Quebec claiming that they saved the constitution," he said bitterly.

Mr. Diefenbaker's insistence on constitutional responsibilities is startlingly reminiscent of the objections raised by Maurice Duplessis as regards fiscal proposals of the St. Laurent government.

There are other quotations from statements made by the premier which I shall not put on the record but those do give a clear indication that the principle of equalization, if it is not being entirely abandoned, is certainly being watered down to the point where it is of little or no use to the province of Quebec.

Mr. Fleming (Eglinton): This is not the place for a debate on the question of federal-provincial fiscal proposals with respect to the coming five years. The hon. member for Bonavista-Twillingate and now the hon. member for Laurier are bringing in arguments about the equalization principle. There is no equalization principle involved in clause 13. This is where there is confusion on the part of hon. members opposite. Equalization, the matter that they have been discussing, is based on potential provincial revenue from the standard taxes; it is not a matter depending upon federal revenue, as they seem to think. This clause now under discussion simply deals with the federal tax and provides for an abatement, the counterpart of the abatement that exists under the Federal-Provincial Tax-Sharing Arrangements Act. We will have an opportunity to discuss these broader questions soon.

Mr. Pickersgill: I agree with the minister that the proper place to discuss these other matters is on the resolution dealing with the federal-provincial tax-sharing agreement. I also agree with what was very well said by the hon. member for Vancouver East. This particular clause takes two things for granted; it takes for granted first that parliament is going to pass the other legislation. No doubt it is because of the majority that the government has behind it. But this clause if it is adopted in its present form really leaves us no room for discussion of the other because the two things fit together as a single piece. That is the whole point. Not a single provincial government has expressed satisfaction with this plan—this "suggestion", I think, to use the Prime Minister's delicate word—this take-it-or-else scheme. Though none of the provinces has expressed satisfaction with it

hon. gentlemen opposite are just going ahead and legislating and the provinces can accept the consequences.

Mr. McMillan: I should like to know from the minister whether any arrangement has been made with the provinces as to the allocation of money. I am thinking now of the question of abatement of personal income tax covering a company such as Imperial Oil which operates all across the country. I think also of the Bell Telephone Company which operates in only two provinces.

Mr. Fleming (Eglinton): They are corporations. We come to those in a later clause. This is personal income tax.

Mr. McMillan: I am thinking of personal income, the dividends which will be received by individuals on which they have to pay income tax. I am thinking of abatement in those cases.

Mr. Fleming (Eglinton): This is all covered in the present arrangement. This is not a new question at all. This clause does not deal with that matter. We will have that question before us when we come to the other measures.

Mr. McMillan: There is no agreement with the provinces as to the allocation of such moneys? Is that right?

Mr. Fleming (Eglinton): A system of allocation has been worked out. It has been in existence under the present system and we made some progress last year at the dominion-provincial conference in arriving at a better understanding with respect to the allocation of corporation taxation.

Mr. Pickersgill: I trust that the minister is not presuming to tell us that there has been any system of allocation worked out with respect to personal income tax in respect of any province except the province of Quebec. No other province in this country has levied a personal income tax since the year 1941 and therefore there could not possibly be any understanding with any other province because there has been nothing about which to have an understanding. If I remember rightly, the province of Quebec has levied this tax only since 1951 or 1952, so that there may be some arrangement between the federal authorities and the province of Quebec; I assume there is. Has the minister any assurance that that arrangement is going to be acceptable to the other provinces?

Mr. Fleming (Eglinton): The hon. member has completely overlooked the fact that under the present system there must be allocation as among provinces both of personal income tax, corporation tax and succession duties. It is very necessary under the present system.

[Mr. Pickersgill.]

That has been worked out. This is not a new system at all and it does not depend upon a province collecting its own taxes in such a situation.

Mr. Pickersgill: What the minister is saying is that there is a notional arrangement at the present time.

Mr. Fleming (Eglinton): It is more than that.

Mr. Bell (Carleton): A real one.

Mr. Pickersgill: How can it be more than that?

Mr. Fleming (Eglinton): It is a very real one, to determine the provincial share in any situation of the yield from personal income tax or corporation tax.

Mr. Pickersgill: I appreciate at once that there is a notional system; it is not based upon the actual collection of the actual taxes. While it is quite easy to agree upon a notional system which is what we have now, I suggest to the minister that there are going to be a lot of problems that have not been foreseen when he tries to fit a notional system into an actual system and he begins to get disputes about these matters, as he will.

Mr. Benidickson: To follow up what the hon. member for Bonavista-Twillingate has said, I direct the attention of the minister to his proposed amendment in the bill and in particular to subclause 3. Have the provinces agreed to a definition that income earned in the taxation year in a province and income earned in the taxation year outside a province mean amounts determined under rules prescribed for the purpose by regulations of the federal government? That means orders in council of the federal government. Have these orders in council been prepared? Are the provinces aware of them and are they agreeable to what would be involved in the amendment?

Mr. Fleming (Eglinton): Of course there cannot be any order in council until this legislation has been adopted.

Mr. Benidickson: Mr. Chairman, we all have respect for our provinces and when there are two parties to an agreement I imagine we would think that the definition of income earned in the taxation year in a province was very important to each of our provinces. This gives the federal cabinet power to make regulations to define something as important as income earned in and outside a province. So far as the provinces are concerned, is this a case of take it or leave it or take it as you have it, or was this discussed?

Mr. Fleming (Eglinton): This does not depend upon an agreement with the provinces at all.

Mr. Benidickson: I say it is essential to the amount of money that will subsequently be paid to the provinces or forsaken by the federal government under this clause of the bill. Then we look at paragraph (c) of subclause 3 which relates to the Old Age Security Act. Was this matter discussed at the last federal-provincial conference?

Mr. Fleming (Eglinton): Yes, this whole matter was discussed at the last two conferences. In particular, the graduated withdrawal of the federal government from the personal income tax field in favour of the provinces was specifically discussed at the last of the conferences. The reference to the Old Age Security Act alludes to the 3 per cent payable into the old age security fund. The 16 per cent deduction next year relates to the balance of the federal tax, the true federal income tax.

Clause agreed to.

On clause 14—*Repeal.*

Mr. Pickersgill: Why is this clause being repealed?

Mr. Fleming (Eglinton): This is consequential upon clause 10 of the bill which we have already approved by which section 31, subsection 2 of the act is repealed.

Clause agreed to.

On clause 15.

Mr. Benidickson: This clause really relates to an obligation under the Canada-United States tax agreement. Is that correct?

Mr. Fleming (Eglinton): No.

Clause agreed to.

Clauses 16 and 17 agreed to.

On clause 18—*Idem.*

Mr. Fleming (Eglinton): Mr. Chairman, we are on page 12, and clause 19—

Mr. Pickersgill: Clause 18 is not carried. I would ask the minister to explain it.

Mr. Fleming (Eglinton): Clause 18?

Mr. Pickersgill: Yes.

Mr. Fleming (Eglinton): This is a relieving provision dealing with associated companies. We had legislation at the last session of parliament in relation to associated companies. By that 1960 legislation we introduced new rules to prevent companies splitting themselves up into many small companies in order to obtain the benefit of the low rate of tax on the then first $25,000 of taxable income, now $35,000. It has since been found that one of these rules might result in two companies being associated merely because they were controlled by a single trust or estate upon the death of an individual, and this relieving provision is intended to provide that in the described circumstances the companies shall not be deemed to be associated.

Mr. Benidickson: Mr. Chairman, we are dealing here with matters that have been before us recently but I refer the minister to line 42 in clause 18. The minister has referred to two corporations. Possibly I have not given this matter adequate study but it occurs to me that it might read "two or more corporations". Has this been given adequate study?

Mr. Fleming (Eglinton): I think the hon. member is overlooking the earlier provisions of the same clause. This sets out the terms applicable to one corporation and then the terms applicable to another corporation. I think the hon. member need have no fear that if there were any two out of two or more this will clearly provide that all pairs of corporations that come within the description contained in this clause will be deemed now not to be associated with each other in the year.

Clause agreed to.

On clause 19—*Deduction from corporation tax.*

Mr. Fleming (Eglinton): On clause 19 there is an amendment of which hon. members have received notice. I would ask my colleague, the Postmaster General, to move this amendment to clause 19.

Mr. Hamilton (Notre Dame de Grace): I move:

That Bill C-120, an act to amend the Income Tax Act, be amended by striking out lines 1 to 3 on page 12 and substituting therefor the following:
"19. (1) Subsection (1) of section 40 of the said act is repealed and the following substituted therefor:
'40. (1) There may be deducted from the tax otherwise' "

Mr. Chevrier: What is the meaning of this amendment?

Mr. Fleming (Eglinton): I presume the hon. member wishes an explanation of the amendment rather than the clause?

Mr. Chevrier: Yes.

Mr. Fleming (Eglinton): This amendment is necessary to repeal section 40, subsection 1, of the present act. The present wording of section 40, subsection 1, provides for a 9 per cent abatement for corporations in Ontario and

a 10 per cent abatement for corporations in Quebec during the remainder of the present arrangements with the provinces. Accordingly, the present provisions of section 40, subsection 1, lapse at the end of the 1961 taxation year. However, at that time if it were not for this amendment the law would revert to the way it read in 1956 when it provided for a 5 per cent abatement.

Mr. Chevrier: I should like some further clarification of this matter. Under the agreement effective for the two income tax years of 1960 and 1961, and in its income tax bill of 1960, clause 12, which I now have before me, the government increased the provincial share of the corporation income tax from 9 to 10 per cent. That is to be found in clause 12 which reads as follows:

> There may be deducted from the tax otherwise payable by a corporation under this part for a taxation year an amount equal to
>
> (a) 10 per cent of the corporation's taxable income earned in the year in a province prescribed by a regulation made on the recommendation of the Minister of Finance that was, for the fiscal year commencing in the calendar year in which the year ended, a prescribed province as defined in section 9A of the Federal-Provincial Tax-Sharing Arrangements Act.

Provided that a province would undertake to make available to universities annual grants determined by conditions specified in section 9A of the Federal-Provincial Tax-Sharing Arrangements Act. This is chapter 13 of 8-9 Elizabeth II, which reads as follows:

> "Foundation" means the Canadian Universities Foundation incorporated by letters patent dated the 4th day of February, 1959, under the seal of the Secretary of State of Canada;

This year, in the bill now before us we are amending the Income Tax Act so as to increase the provincial share of income taxes beginning January 1, 1961 in accordance with the proposal made by the government last February and to be embodied in a bill which has not yet come before the house, although the resolution is on the order paper. However, the clause inserted last year in the Income Tax Act to implement the agreement with the province of Quebec in respect of university grants, unless I am mistaken, is being deleted. The question which I should like to put to the minister is this: Is it true that this section as it appeared in the amendments to the Income Tax Act last as clause 12 is to be abandoned?

Mr. Fleming (Eglinton): I think there is some misapprehension here. The clause that was introduced in 1960 provided for an increase from 9 per cent to 10 per cent in the abatement in respect of federal corporate income tax applicable in what was known as a prescribed province. The only province that was a prescribed province was the province of Quebec last year, and this year the abatement to federal taxpayers in so far as federal corporate taxpayers in the province of Quebec are concerned is 10 per cent and not 9 per cent as in the case of other provinces. This legislation had a two year effect and it will expire at the end of this coming year.

Now, it was necessary because we have no provision made for what takes place in this regard beyond that time, to introduce this clause. If it is not introduced at the expiry of this year what we revert to is not the 9 per cent but the previous 5 per cent. This is the reason for the amendment and the effect of the amendment will be that on the expiry of this legislation that had a two year life, the percentage of abatement will be 9 per cent which will be general in all provinces, and as the hon. member is aware that is the extent of the abatement in respect of federal corporate taxes that is proposed in the general abatement. This whole matter out of which the 1960 amendment arose will have to be the subject of further discussion.

Mr. Chevrier: I take it that "the end of the year" means the end of the calendar year to which the minister refers?

Mr. Fleming (Eglinton): It is the end of the taxation year.

Mr. Chevrier: I also take it from the answer which the minister has given that section 12 of the 1960 act is now being abandoned.

Mr. Fleming (Eglinton): No, it expires.

Mr. Chevrier: It expires at the end of the calendar year?

Mr. Fleming (Eglinton): It will expire at the end of this year, so it is necessary now to make provisions in contemplation of that expiry so that the extent of the abatement in the province of Quebec in respect of corporate taxes will revert not to 5 per cent but to 9 per cent when the provision comes to an end.

Mr. Chevrier: So that in 1962 it will revert to 9 per cent?

Mr. Fleming (Eglinton): Yes, under the amending bill.

Mr. Chevrier: Does that mean it is the intention of the government to terminate this agreement with the province of Quebec in respect of university grants?

Mr. Fleming (Eglinton): There is a two year life to the amendment which was introduced at the 1960 session. It will be necessary by next year to work out some arrangement to meet this problem. The 1960 solution

had a two year life and on its expiry we will have to find another solution.

Mr. Chevrier: May I ask then, if that is so, whether the federal government communicated its intention to terminate this agreement to the provincial government of Quebec?

Mr. Fleming (Eglinton): It was not a question of the termination of the agreement, Mr. Chairman. The federal legislation introduced last year had a two year life given to it by parliament. It was not a matter of confirming an agreement or anything of that kind. The federal legislation was given a two year life by parliament. The effect of this is known and understood by those who will be interested in it.

Mr. Chevrier: That is the point about which I wish to be sure, and I am not too clear. Perhaps the minister could clarify it a little further by answering this question. Were there any negotiations at all between the federal government and the government of Quebec in connection with this matter, either verbally or in writing?

Mr. Fleming (Eglinton): We were asked to leave out of this year's legislation, whether income tax legislation or federal-provincial fiscal legislation, any reference to the kind of arrangement that was made in 1960 and to provide for an alternative arrangement in respect of the university grants.

Mr. Chevrier: May I ask the minister who asked the federal government to do this?

Mr. Fleming (Eglinton): Premier Lesage.

Mr. Chevrier: I should like to carry that a bit further, if I may. If this section 12 of last year's Income Tax Act is deleted, does this mean the 10 per cent corporate income tax will not apply after January 1, 1962?

Mr. Fleming (Eglinton): If the hon. member looks at the 1960 amendment he will see it was given effect to March 31, 1962 to make it coterminus with the five year period under the Federal-Provincial Tax-Sharing Arrangements Act. The abatement, as such, applied to the 1960 and 1961 taxation years, so that in this respect the plan of the 1960 amendment was in conformity with the plan of the Federal-Provincial Tax-Sharing Arrangements Act both with respect to the abatement that applied to taxation years and the operation of the general agreement with reference to fiscal years.

Mr. Chevrier: May I go just one step further? Since the present bill will apply in 1961, does this mean that the special arrangement with Quebec will not apply in 1961 also?

Mr. Fleming (Eglinton): If it continues to be a prescribed province in 1961, as I understand it to be, the 10 per cent abatement will apply in the province of Quebec in 1961 because the legislation was given a two year life in a province that qualified as a prescribed province. A province could have opted out if it did not wish to continue. It was a prescribed province and my understanding is that Quebec continues in 1961 to be a prescribed province as it was in 1960.

Mr. Chevrier: If that is the case, is it not a fact that this appears to be a clear breach of the agreement—at least, it appears that way to me—which when made was supposed to apply to the years 1960 and 1961?

Mr. Fleming (Eglinton): No. With respect the hon. member has not been following what I have been trying to say. The 1960 amendment introduced by parliament was given a two year effect and that provided, in effect, that in the case of a prescribed province it could have a 10 per cent abatement for its corporate taxpayers from federal corporate taxes if it chose not to have any university grants paid to its universities. The province of Quebec was the only province that qualified as a prescribed province; and so in the year 1960 federal corporate taxpayers in that province were entitled to a 10 per cent abatement. The same is true for 1961. So by the end of the year the effect of the legislation enacted in 1960 will have been spent. It is just a matter of the expiry of that legislation according to its terms. Then the question arises: What happens at the expiry of that legislation pending our working out with the province whatever arrangement may suit it if something of this kind were to be continued? By this amendment, in the case of a province that was prescribed in 1960 and 1961 we provide that at the end of this period it reverts not to 5 per cent abatement but to 9 per cent. In other words, it is putting the situation back as it was in 1959.

Mr. Chevrier: The minister said earlier that a request had been made by the premier of the province. Can the minister tell us when the premier made this request?

Mr. Fleming (Eglinton): I may say frankly that I do not wish to go further into detail on this matter. This matter was discussed with the premier when he was here. He intimated this was his wish. That is the reason that in this legislation nothing is provided with regard to that subject. It will have to be considered on another occasion.

Mr. Chevrier: This was the conference that took place in February?

Mr. Fleming (Eglinton): Yes; the February conference.

Mr. Pickersgill: It seems to me that this is not a matter that can quite be left in the nonchalant manner in which the minister has left it. It seems to me that the minister has either said too much or too little. The minister has told us that the premier of Quebec asked not to have continued this provision that was made last year. Surely this is a very important matter that is involved here. If we adopt this clause we are dropping a provision for which the minister took credit to himself a year ago and which would put the people of Quebec on a basis of equality with those in the other provinces; and he was very scornful of the attitude we took on this side of the house about this matter. He said he had solved this problem that the Liberals had been unable to solve. He boasted a great deal about that solution. Now he comes before us and just drops his solution and expects the House of Commons to regard this as a matter of no consequence or of no moment. If the minister felt as he said he did a couple of years ago, I cannot understand what is being done now?

We all remember his eloquent speech with which I agreed. I do not often agree with the minister but I agreed with that speech. He said it was intolerable, if that was his word; I have not the text of his speech before me. However, in effect he said it was intolerable to have this money that was collected from all over Canada paid in two thirds of the country but not in the other third. I agree completely with that statement. I think the minister for once was showing himself to be broadminded and statesmanlike. The minister said he was going to solve that problem and he brought in a solution last year that he told us would solve that problem for all time. Now he is just quietly dropping his solution and giving us no explanation at all. If this problem was as urgent as the minister said it was two years ago—and I think it was; I agree with the minister about that matter and I said that previously—what has happened to make it less urgent now?

When one considers all the time that has been spent in the last year in carrying on these discussions with the province, I would have thought that the minister would have taken some initiative in seeking to discuss with the government of Quebec how this matter was to be arranged and, if this particular provision was to be dropped and this particular solution was to no longer be a solution, what solution is going to be found. Before we drop this legislation and change it I think we should know what has happened. After all, as the minister pointed out, if Quebec does not want to go on being a prescribed province, it will not matter that it is in our law; they do not have to be a prescribed province. However, I do not think the minister should so quickly drop this statesmanlike solution he found a year ago—just drop it into the sea—without having anything whatever to put in its place. That procedure does not seem to be consonant with that statesmanlike attitude the minister adopted a year ago.

After all, I do not think there is anyone in the House of Commons who does not wish to see the people of Quebec receive in one fashion or another out of the federal treasury their fair share of the money collected from all over Canada that is to be used for the support of the universities. That is a general proposition and I think everyone agrees with it. There are in some provinces some people who attach no importance to the way in which that money is paid. They do not care how it is paid as long as they receive it. In other provinces there are people who do attach importance to the method by which the money is paid, and who consider that it is very important that it should be done in accord with what is their view of proper constitutional arrangements. I certainly respect their views in that matter. I respect them completely and I have always respected them. I do not say I have always understood all of them but I have always respected them.

However, for us here in this parliament just quietly to drop this provision, to have nothing to put in its place and to be told by the minister that he is doing this because the premier of Quebec asked him to do it but does not wish to say any more about it, seems to me to be a little bit less than frank with us. I think we ought to be told whether this was just a casual reference made in a casual conversation or whether the minister received a formal communication from the premier of the province or just what happened; and whether, when this was received, any overtures were made to the provincial government with a view to finding some other solution to the problem or whether this was just another case in which the government, because it has an awkward problem, is going to try to forget about it.

It seems to me that we cannot allow this matter to rest where it is now and adopt this amendment which just throws away the fruits of the minister's statesmanship of only a year ago. I think the minister ought to tell us whether he has taken any steps to find out what would be a method acceptable to the present government of the province of Quebec for dealing with this problem. The minister was at great pains to deal with the previous government of Quebec; he was very

anxious; he was very concerned; he went out of his way. Surely the minister is not going to say that, because the political complexion of the government of Quebec has changed, his zeal for justice and for fairness that he had a year ago has evaporated all of a sudden. I cannot believe that of the minister. At any rate, I should be very reluctant to believe it. I should hope that the minister would be able to tell us that he is in active negotiation with the government of Quebec and that he believes he has a solution of this problem, if he has one; or if he has not, I think he ought to tell us what he has done about it. It is a very serious thing. If we are going to maintain unity in this country we in this parliament, regardless of party, must seek to treat all parts of the country equally and fairly. I would hate to see us go back to that regrettable situation—

An hon. Member: Which you were in five years ago.

Mr. Pickersgill: Yes, which we were in five years ago. That is right. It was a regrettable situation as the hon. gentleman knows well, because he follows matters of this kind very closely. The hon. member knows well why we were in that regrettable situation. When the Massey commission recommended the university grants in the first place they were established by the St. Laurent government. The hon. member for Greenwood recalls those events very well, because he pressed the St. Laurent government to do that. He expressed great appreciation of it when it was done and gave the warmest possible support to it. The first year after those grants were established the premier of Quebec accepted them. Perhaps I should not say that he accepted them, exactly, but he entered into an arrangement with the then minister of finance whereby they were accepted by the universities in Quebec for one year. Then, for reasons which those of us who are not privy to the mind of that gentleman have never been able to understand, what was perfectly acceptable one year became totally unacceptable the next year.

For several years the people of Quebec lost the benefit of these payments. Then, in an effort to find another solution, my right hon. friend, Mr. St. Laurent, back in 1956, I think it was, or 1957, found a method by which these grants would accumulate until such time as a means could be found to make use of them. In other words, notwithstanding the intransigence of the government of Quebec the government of Canada said: we must find a way to be just, and we will save up the money. Of course, we had money to save in those days. We did not have deficits. We said: We will save up the money until some means can be found by which the universities can receive it. And a means was found. A means was found by the present minister, and I give him credit for his zeal in that matter. I have praised him for it, and I praise him for it again. A means was found a year ago which was acceptable to the then government of Quebec. Under that arrangement the universities of Quebec have benefited. Now we are going to have that stopped cold and nothing put in its place.

It is not for me to say anything about the government of Quebec, and it is not, really, for anyone else in this house to say anything about it. That is their business. But the solution of this problem is our business, and it is a very important business. If we are going to maintain the kind of country which I am sure all of us on both sides of the house would like to have, it is very important that we bend every effort to find a solution to this problem which will be an effective solution in every province. This means we have to maintain the kind of relation which every province, whatever its political complexion, which makes such an arrangement possible. I hope the minister does not press us to take his statesmanlike solution of last year off the statute books until he is able to come in here and offer us an acceptable alternative.

This is not imposed upon the government of Quebec, as the minister has rightly said. It is not imposed on the government of any provinces. This is a voluntary arrangement which a province can accept or not as it likes. Why take it out of the act at all? If it related exclusively to Quebec, that would be another matter but, as I say, unless the minister—

Mr. Fleming (Eglinton): We are not taking it out of the act. It was put into the act by parliament for two years.

Mr. Pickersgill: I know what the minister is going to say, and the hon. gentleman is right in a technical sense. It was put in for two years and it will expire unless something is done to keep it alive. If the minister has not done anything about this before, perhaps I can make a suggestion. It is almost six o'clock now. We know the minister does not take much time for meals. We know he has no other worries at the present time. I suggest that the minister go into his room, which is not far from this chamber, and telephone Mr. Lesage and say to him: We have reached this point—

Mr. Fleming (Eglinton): I think you will be doing that.

Mr. Pickersgill: That, of course, is a characteristic intervention by the minister. He has so much knowledge of what others do. I am merely suggesting it would be a statesmanlike thing for the minister to go to his room and telephone Mr. Lesage and say: We have reached this point in the consideration of this bill and I should hate to drop this; I wish to do something about it; I wish to make sure that Quebec continues to get a fair deal. Is there something we could do about it? I think this would be a very constructive way in which the minister could spend the next half hour of his time. Then, perhaps, the minister could come in here as he did so proudly a year or so ago and tell the house—you know how modestly he would say it, too, sir—Mr. Chairman, we have a solution to this problem which is really going to work. What is more, I have caught these Liberals napping and we have the problem solved.

Mr. Fleming (Eglinton): They are always napping. One does not have to catch them.

Mr. Pickersgill: Well, the minister always says that but I thought this time I would save him some trouble by putting it on record in *Hansard* for him.

An hon. Member: That's right. Keep it going.

Mr. Pickersgill: I am seeking to be very serious about this. I am sure no one in this parliament wishes to see this problem remain unsolved. I note that some of my remarks seem very palatable to some hon. gentlemen behind me. It does seem to me that there must be good will, and active good will, on both sides for its solution.

May I, sir, observe that it seems to be six o'clock?

At six o'clock the committee took recess.

AFTER RECESS

The committee resumed at 7.30 p.m.

The Chairman: Shall the amendment carry?

Mr. Chevrier: Mr. Chairman, just before six o'clock we were discussing clause 19 of the bill and I had posed some questions to the minister. I should like to make quite sure that I have understood properly the matter which is now before us.

In clause 12 of the bill introduced last year the arrangement made was for two years, as I understand it. In the bill which I have now before me the explanatory notes relating to clause 12 indicate that this amendment which deals with the deduction from income tax allowed the corporations in certain provinces implements paragraph 2 of the income tax resolution as follows, and then in quotations it says that for 1960 and 1961 taxation years the deduction from tax allowed to corporations in respect to income earned in a province which imposes an income tax on corporations and in which arrangements exist for the replacement of federal grants to universities by additional provincial grants in accordance with the proposed amendment to the Federal-Provincial Tax-Sharing Arrangements Act be increased from 9 per cent to 10 per cent in respect of income earned after December 31, 1959.

It is clear from the legislation introduced last year that the arrangement referred to therein was for the two years 1960 and 1961. However, if I understand the explanation of the minister properly this arrangement will not apply in 1961 because we are now deleting that provision from the act, and this bill now before us will not apply in 1961. Am I correct in that assumption?

Mr. Fleming (Eglinton): No, Mr. Chairman. If the hon. gentleman will look at subclause (2) of clause 19 he will see that this section is applicable to the 1962-1966 taxation years.

Mr. Chevrier: I am sorry; where is the minister reading from?

Mr. Fleming (Eglinton): That is stated in line 14 on page 12 of this bill in subclause (2) of clause 19.

Mr. Chevrier: That says that this section is applicable to the 1960-61 taxation year, not the 1962-1966 taxation years, as the minister has said.

Mr. Drysdale: You are looking at the wrong bill.

Mr. Fleming (Eglinton): Mr. Chairman, I am afraid the hon. member is looking at last year's bill rather than the one before us now.

Mr. Chevrier: I beg the minister's pardon; that is right. The minister is then saying that the arrangement will apply for the year 1961.

Mr. Fleming (Eglinton): That is the effect of the law as it stands today. There is no change being made by this clause in the law as enacted by parliament in 1960.

Mr. Pickersgill: Mr. Chairman, would the minister point out where it says in this bill that we are repealing the old clause and inserting a new one, and that the old clause applies to the whole of the year 1961?

Mr. Fleming (Eglinton): That is provided by last year's bill which is not being modified by this clause in that regard at all.

Mr. Chevrier: Yes, but it is being taken out.

Mr. Fleming (Eglinton): All that is being done by the proposed amendment now before us is to say what happens at the end of this two year period, which ends at the end of the year 1961. All we are dealing with is the situation which arises on the expiry of the two year period for which provision was made by the legislation of 1960. All we are saying is at that time we do not revert to the 5 per cent but to 9 per cent as the statutory percentage of abatement in the province of Quebec for federal corporate taxpayers.

Mr. Chevrier: Before we recessed the minister had stated that he was asked to remove this (a) portion of clause 12 in last year's bill by the premier of the province of Quebec.

Mr. Fleming (Eglinton): I do not think that is quite the way I expressed it. I was asked as to what this arose out of, and I pointed out, I thought quite clearly, that we were asked not to bring into the scope of these new arrangements any new provision in relation to the university grants or the tax arrangements in lieu thereof which took the form of an increased federal abatement in respect of federal corporate taxpayers in prescribed provinces. We have kept that out of the scope of the legislation that parliament is now being asked to deal with, whether in the income tax bill or the new bill of which notice has been given on the order paper in resolution form. This matter as to what happens in regard to university grants will have to be a subject of further discussions between now and the end of this present fiscal year.

Mr. Chevrier: Let me use the minister's own words. He was asked by the premier of the province of Quebec to not bring this matter into the scope of the new arrangements. I should like to ask the minister when this conversation took place. He has already said that it was during the course of the last federal-provincial conference in February. Could the minister be a little more specific and say whether it was at the opening, during the course of, or at the end of the conference?

Mr. Fleming (Eglinton): It was not during the course of the conference proper. It was a discussion held outside the conference.

Mr. Chevrier: Was there anyone present?

Mr. Fleming (Eglinton): No, not at that time.

Mr. Chevrier: Could the minister say whether it was on the first or second day of the conference?

Mr. Fleming (Eglinton): I can locate it by saying to the hon. member that it was during the evening of the governor general's dinner.

The Chairman: Shall the amendment carry?

Mr. Pickersgill: Mr. Chairman, before the amendment carries I should like to ask the minister whether he did telephone Mr. Lesage at my suggestion between six o'clock and 7.30 o'clock this evening? Since it was my suggestion it is probably superfluous for me to ask that question.

What I should like to ask the minister, and it is perhaps a question that is meant a little more seriously, is this. Has the minister made any attempt, or has anyone in the government made any attempt—perhaps the honourable and persuasive Secretary of State would have done so—to approach the government of Quebec with a view to finding a means of dealing with this problem?

Mr. Fleming (Eglinton): Not yet, Mr. Chairman. We think we had better dispose of this major matter of the new fiscal arrangement before we come down to that specific matter.

Mr. Pickersgill: That is a very odd answer indeed for the minister to give because last year he went to the extraordinary length—we on this side thought it was a rather extraordinary length—of including this arrangement that he is now terminating in the Federal-Provincial Tax-Sharing Arrangements Act. It did seem an odd place to put it, but that was the way it was done and we wonder why, if it was not to be an integral part of that arrangement, it was done that way at that time because up to that time, of course, the statutory basis of the university grants had been quite different. Can the minister give any reason why this subject was not also discussed at the federal-provincial conference along with the other subjects discussed there in view of the fact that the government itself had taken the initiative of bringing it within the ambit of those arrangements?

Mr. Fleming (Eglinton): Nobody chose to introduce the subject in the conference.

Mr. Pickersgill: Well, that, sir, seems to be very odd, too, does it not, because it was the federal government that took the initiative in this matter. According to the minister, it was the federal government that last year, finding a more receptive premier of Quebec than Mr. Duplessis, opened up this subject, first with Mr. Sauve and then with Mr. Barrette. Why, after last year's zeal, are they so coy this year? It is a little difficult to understand.

Mr. Fleming (Eglinton): Not if the hon. member has regard to the view that was

expressed. I make it quite clear that we are not terminating anything. The hon. member talks about our terminating something. We are not terminating anything. We take account of the fact that the legislation which was passed by parliament last year was given by parliament a two year life. It will expire at the end of the present fiscal year. And all that we are doing here, pending the making of some new arrangement, is to make some provision for what happens at the expiry of that two year term. It expires with the legislation that parliament enacted in 1960. I am not attempting for one minute, Mr. Chairman, to prejudge what may be done in relation to this problem as from April 1, 1962.

Mr. Pickersgill: The minister did a lot of prejudging last year when he brought in his great statesmanlike solution to this problem. Last year the minister told us that this was to be a part of the general settlement that the government was seeking, the new arrangements, the new deal; this was to be an integral part of it. The minister says, "Oh, no, we did not bring it up because nobody else did". Well, that is a very odd attitude indeed to take. Is this government now taking the view that it is afraid even to speak to the provinces about these problems, even to talk to the provincial governments about them? It does seem more than strange that no attempt has been made to seek a solution of this problem.

Amendment agreed to.

Clause as amended agreed to.

Clause 20 agreed to.

On clause 21—*Dividends received by brokers.*

Mr. Benidickson: In this clause we have a reference to withholding tax. Indeed in the explanatory note there is a reference to the fact that perhaps there had been what is called a serious error. In what year did this occur? My investigation indicates it was perhaps 1952 and 1953. Has there been litigation since with respect to the amendments proposed in clause 21? I think it is appropriate to ask the minister whether he has consulted with his colleague the Minister of National Revenue and has ascertained up to date information as to what collections of income tax collected at source may exceed the liabilities of the taxpayer in the last two or three years?

I recall that the minister used to be one of those who objected to a system operating in the Department of National Revenue under which the maximum liability was collected in the department but was subsequently found to be excessive. I should like the minister to inform us, as we revise the Income Tax Act, whether this policy has been reviewed. Can he tell us to what extent income tax deductions on the wages of the low income tax group in the country have been reduced to the equivalent of the ultimate tax liability? This would reduce the refunds ultimately paid to these people, representing the amount that the department had taken in excess of the amount due the department in income tax.

Mr. Chevrier: Will the minister agree to the committee reverting to clause 19 so that I may ask one question?

Mr. Fleming (Eglinton): Ask it on this clause.

Mr. Chevrier: All right. I think I understood the minister clearly to say a moment ago that this bill would apply to the year 1961.

Mr. Fleming (Eglinton): No.

Mr. Chevrier: I had put the question to the minister that the arrangement would not apply in 1961. I understood him to say that it would apply in 1961. Am I fair to him?

Mr. Fleming (Eglinton): No.

Mr. Chevrier: Let me put it this way. In section 12 of last year's bill the arrangement was for two years, namely 1960 and 1961. That is correct, is it not?

Mr. Fleming (Eglinton): Yes.

Mr. Chevrier: Having obtained that answer, I put this additional question to the minister. This will not apply in 1961?

Mr. Fleming (Eglinton): What is the "this"?

Mr. Chevrier: This will not apply in 1961, "this" having reference to clause 19 of this year's bill.

Mr. Fleming (Eglinton): That is right, as I said before, because clause 19 deals with the situation that arises on the expiry of the legislation which was given a two year life when enacted in 1960.

Mr. Chevrier: Then am I correct in saying that the arrangement referred to in clause 19 will not apply to 1961 because the clause has been deleted in the income tax bill for 1961?

Mr. Fleming (Eglinton): No. If the hon. member will look at the record, I think he will see that I have made that very clear. He may find it a bit complicated but I think that when he looks at the record he will see it is quite clear.

Mr. Chevrier: I do not want to pursue it unduly but after having read this carefully during the recess I was clearly under

the impression that clause 19 which is now before us will not apply for the year 1961 and the minister has said—

Mr. Fleming (Eglinton): That is right.

Mr. Chevrier: The minister gave the opposite answer earlier.

Mr. Fleming (Eglinton): No, no. I suggest that the hon. member look at the record and he will see that it is clear.

Mr. Chevrier: Then the minister says that for the year 1961, having regard to the way the clause now appears, the arrangement will not apply?

Mr. Fleming (Eglinton): The hon. member is going around. I have dealt with the matter and I think he will find it very clearly on the record.

Mr. Chevrier: May I just put it this way, that the arrangement as referred to in clause 19, section 40(a), (b) and subclause 2 will not apply in 1961 because the clause has been deleted from the 1961 bill.

Mr. Fleming (Eglinton): Nothing has been deleted. I agreed to answer a question of the hon. gentlemen without reopening the clause. He is asking questions now that have been answered before and I think when he sees the record he will find that the information is there and it is quite clear.

Mr. Chevrier: I do not think it is. However, I am not going to pursue the matter ad infinitum.

The Chairman: Shall clause 21 carry?

Mr. Benidickson: No, Mr. Chairman. I think I raised a very valid question in connection with clause 21. I had in mind the vast number of taxpayers whose taxes are deducted at source. We have a reference here to a comparatively small number of taxpayers in whose case it is being suggested that there be a withholding tax deducted at source related to dividend or interest receipts of income. This is not political. I recall that when I was on the other side of the house we were rather worried that we collected more at the source than they were really obliged to pay from some people who earned less than those at the top of the totem pole. I wonder whether this situation has improved. I take full blame for the former situation, but what is happening now?

Mr. Fleming (Eglinton): I did not bring that statistical information here on a bill of this kind. It is within the knowledge of the Department of National Revenue and if the hon. member is interested in this matter I suggest that he put his question on the order paper and the information will be forthcoming.

Mr. Benidickson: This, of course, is related to the tax at source on the wages of employees. This is a withholding tax with respect to people who might have taxable income from dividends and interest. I would ask the minister to look at the explanatory notes, particularly those with reference to subclause 2 of clause 21. Will he explain in a better form than is done here what was the previous error that this amendment is endeavouring to correct? Has there been some litigation in recent times and, if so, what was it?

Mr. Fleming (Eglinton): Very simply, the word in line 21 which will now be "on" was "or" when it should have been "on". The "r" should have been "n".

Clause agreed to.

On clause 22.

Mr. Pickersgill: I think the minister should give us some explanation of this clause.

Mr. Fleming (Eglinton): This amendment concerns donations by charitable foundations to governments and municipalities. It arises out of budget resolution No. 4. The particular amendment has been requested to permit a foundation to make donations to a municipal agency such as an art gallery.

Mr. Benidickson: This amendment is interesting. Some of us are a bit credulous with respect to those who would donate on a charitable basis for the purposes referred to in the resolution and in the amending bill. What kind of offers have been made in this regard so far that would warrant this amendment to our income tax laws? Has the minister knowledge of offers that have been made by way of gift to Her Majesty in the right of Canada or a province or to a Canadian municipality? If so, has any substantial amount been involved in recent times?

Mr. Chevrier: Is the matter sub judice?

Mr. Fleming (Eglinton): There is no litigation about this.

The Chairman: Shall clause 22 carry?

Mr. Benidickson: The minister is proposing to parliament that we amend the Income Tax Act to provide that there will be clear tax-free protection for a donation by an otherwise taxable person if he is giving something to Her Majesty in the right of Canada or a province or to a Canadian municipality. Maybe I am naive but I am not aware of many people who do this kind of thing. Something must have prompted the Minister

of Finance to amend the Income Tax Act to provide that under such circumstances such a gift would have the tax advantages proposed in the bill.

I recall that the Minister of Finance rather looked askance at the attitude of a former administration which felt that they had received from one or two estates a very substantial tax advantage which might be diverted to unusual purposes for the advantage of the public. Here we are concerned with the matter of a gift by a taxpayer to a government. In the former case it was a matter of the government deciding that these were receipts rather unexpected and unanticipated in times of great prosperity when it might be possible to divert equivalent assets in another way to something like the Canada council. There was no thought on the part of taxpayers who were passing away that they were making a gift to Canada, to a province or to any other area of public ownership. This was fortuitous and accidental. I think we should know from the Minister of Finance what prompts him to suggest that an incentive could be granted to people who might, in a way in which I have never known about before, wish in the future to make an outright tax exempt gift to a government, whether federal, provincial or municipal. I am not quarrelling with that principle. However, I think we are entitled to information as to what has led up to this. Why does the minister recommend this? He has information that we in the opposition do not have.

If there are people who want to donate, in a taxation year, their income to a government agency such as the Canada Council, I think we should have information concerning that.

Mr. Fleming (Eglinton): I have already said, Mr. Chairman, that this amendment was requested to permit a charitable foundation to make a donation to a municipal agency such as an art gallery. This clause is to amend section 62 of the act, and section 62 deals not with charitable gifts by individuals but by non-profit corporations such as a charitable foundation. This provision is designed to remove any limitation in respect of gifts by such non-profit corporations or charitable foundations to Her Majesty in the right of Canada or a province or municipality, such as the particular occasion to which I have referred.

Mr. Benidickson: Have we, in the past, suffered by the absence of this amendment? If so, could the minister indicate under what circumstances we have suffered, perhaps, from the charitable inclinations of anybody in Canada because we did not have this proposal in the act before?

[Mr. Benidickson.]

Mr. Fleming (Eglinton): The hon. member asks if we have suffered. It depends on whom he means by "we". The fact is that unless such an amendment as this is passed the particular foundation in question will not be able to make a gift to the municipal art gallery in question.

Mr. Herridge: I see the two postilions of the minister are smiling when the hon. member continues to ask this question. It is an interesting point, however, and I think the committee is entitled to know whether the minister has received representations for this amendment to the Income Tax Act.

Mr. Fleming (Eglinton): Yes, Mr. Chairman, I have indicated that.

Mr. Benidickson: This is a matter to which all of us wish to be sympathetic, but the minister has said this is an individual foundation to which an opportunity might not have been possible if this amendment were not passed. He said "a foundation". I should like to know which foundation, whose foundation? How desirable is this? I think the minister should be frank with us. I think all of us desire to encourage those who have wealth and who plan that this wealth, after their death, will be devoted to cultural and social purposes. We want to be sure that they have a full opportunity to do so. The minister referred to an individual foundation. Will he name which foundation indicated to the minister that our law was inadequate up to now?

Mr. Fleming (Eglinton): I was asked if representations had been made to this end, and I said yes. I referred to the fact that they had been made on behalf of a particular foundation. It is not customary to disclose the names in such cases.

Mr. Benidickson: No, but the minister did use the singular.

Mr. Fleming (Eglinton): This provision is of general application, Mr. Chairman. Its purpose is to give encouragement to charitable foundations to make suitable gifts to municipalities for art galleries organized by municipalities.

Mr. Pickersgill: There is just one observation I should like to make before the clause is carried. It must have been rather painful, I would think, for the minister to put this clause in this particular language because what it does is to make Her Majesty a charity or, more particularly, to make the treasury of Canada a charity. In view of the present state of the treasury of Canada, I would have thought the minister would have been quite sensitive about doing that.

Mr. Fleming (Eglinton): This is not a new provision. There has been such a provision in this act for many years in relation to gifts to Her Majesty and these qualify for the purpose of reducing taxable income, Mr. Chairman. It was written in, as a matter of fact, in 1950.

Mr. Benidickson: Would the minister look at page 15, subclause (b) of subsection 4? I want to say that this perhaps worries me more than some other items in the clause to which I have referred. It says:

> There shall be included in computing a corporation's income all gifts received by the corporation and all amounts contributed to the corporation to be used for scientific research.

I have already commended the minister for some of the amendments he has introduced in his budget in respect of scientific research. I am concerned about whether or not a gift would necessarily be, in layman's language, a gift of a capital nature. As I read this paragraph, once one of these research corporations has been established and I were to give it a gift of $100,000 in 1961, which I could not do, I take it that would be regarded as income in that year and 90 per cent of it would have to be spent in that year. Perhaps I would wish my gift to be regarded as a capital grant, and perhaps I would be more concerned about the interest on my capital grant over the years being used by this non-profit research corporation, rather than have my gift regarded as income after the establishment of the corporation so that 90 per cent of it would have to be disbursed in that year. Am I wrong in my review of the amendments that are here?

I admire what the minister is doing here. He is encouraging corporations and individuals to invest in research. However, unless I misjudge the interpretation here, I question the requirement that 90 per cent of the funds received in a current year must be disbursed in that year. I wonder whether or not that requirement prevents a bona fide research corporation from receiving from anybody in Canada what is called here a gift, without the necessity that such gift be disbursed to the extent of 90 per cent in the year of receipt.

Mr. Drysdale: Before the minister replies, I wonder whether I might make a brief comment. First of all, I should like to commend the minister for bringing in this particular amendment covering scientific research. Many of us who serve on the research committee find it extremely encouraging that we have some tangible evidence of the government's interest in our operations and activities. When the minister is giving his reply I wonder whether he could indicate the scope of the definition of "scientific research". We in the research committee, perhaps loosely, have kept it to the one word "research". I wonder what effect the addition of the word "scientific" has. I wonder whether it tends to narrow the scope or whether a broad definition is being given of "scientific research".

Mr. Fleming (Eglinton): The expression "scientific research" is defined by the Income Tax Act, section 72, subsection 4,

> "scientific research" means any activity in the field of natural or applied science for the extension of knowledge,

Then in the same section 72 there are other provisions that have a bearing on the scope of those words. So far as the question of the hon. member for Kenora-Rainy River is concerned, I think his interpretation is correct.

Mr. Benidickson: Is incorrect?

Mr. Fleming (Eglinton): Is correct.

The Chairman: Shall clause 22 carry?

Mr. Benidickson: Having heard from the minister that my interpretation is correct, if we pass the section I think we should have second thoughts. Having given credit to the government for encouraging in a new and substantial way the devotion of funds for research that will sustain some acceleration owing to tax laws, may I say this. If we have set up a corporation that is in all the sense of the act a truly and wholly desirable non-profit research corporation, I cannot see that we should legislate to say that any taxpayer who subsequently makes any gift—I think the word is "gift" in the section—to that very worthy corporation is, in making his gift, debarred from insisting that perhaps only the income of his gift rather than the capital would be included in income on the 90 per cent basis for the taxation year under consideration. I think this is an important matter. I have already commended the minister for his enterprise in this sphere. However, I think corporations will be established where the donor does not want necessarily to make a gift or, in fact, perhaps would not make a gift if he felt that 90 per cent of his gift had to be expended in the year following the gift. I think he would prefer that there were some continuation relative to his important capital donation. I wonder whether that result is what is defeated by these words.

Mr. Fleming (Eglinton): There is really nothing I can add, Mr. Chairman. The hon. member correctly interpreted the clause in his previous remarks. The donor can adjust his gift accordingly in order to suit the absorptive capacity of the donee charitable trust or corporation.

The Acting Chairman (Mr. McCleave): Shall clause 22 carry?

Mr. Benidickson: I simply predict that, whatever government is in power in a year or two—and I have some opinions upon that matter—this is legislation that will not likely stand. I do not think that people who have the kind of assets that we want to be devoted to this kind of worth-while entirely non-profit research enterprise are likely to make gifts—and I emphasize the word "gifts" —if the law says that those gifts must not be expended with relation to the return of the capital given to them but must be expended 90 per cent within the period of the taxation year within which the gift has been made. I say that provision will be discouraging to people who are likely to make gifts to the kind of research corporations which are given some encouragement under this amending bill. I have congratulated the minister for what he has done; but with regard to a corporation which he has set up here as being entitled to some tax exemption, I say that he has made a very great mistake in saying that a gift which, on the part of the donor may be regarded as capital, must be expended to the extent of 90 per cent in the year in which the gift was made.

Clause agreed to.

On clause 23—*Distribution of income.*

Mr. Fleming (Eglinton): On clause 23 and clause 24, Mr. Chairman, here we have an amendment, the third one on the list, to strike out clause 23 and clause 24 and renumber clauses 25 and 26 as clauses 23 and 24 respectively. I would ask my colleague the Minister of Mines and Technical Surveys to move that amendment.

Mr. Comtois: I so move.

Some hon. Members: Carried.

Mr. Benidickson: As I said earlier, this covers a number of pages of the amending bill. Having brought in approximately six amendments to the income tax proposal since June 20, is the minister sure that all the consequential amending clauses are covered when he has changed his mind about dealing with personal corporations which he said on budget night was a subject that had given him and his department a great deal of concern for over a year and upon which he was prepared to come to the country and make some announcement? Are we sure that all the consequential amendments in a hundred or more sections of the Income Tax Act are taken care of in the amendments which are before us tonight? I ask that question because four times within the last week since the Income Tax Act was introduced we have had amendments from the minister, not including this one.

Mr. Fleming (Eglinton): I have full confidence in the competent draftsmen who are responsible for drafting the bill and amendments. It is usual, indeed, almost customary, one might say, for amendments to be introduced in measures of this kind during their passage through the house. In the 16 years in which the hon. member for Kenora-Rainy River and I have been here, there was not one occasion, I am positive, when the income tax bill went through the house without there being a number of amendments made.

Mr. Benidickson: I do not wish to prolong debate tonight. The minister is completely wrong in that assertion. Not only is he wrong in his main point, but I point out that the budget resolutions relative to the Income Tax Act have always been introduced much earlier in the calendar year than the hon. gentleman has been prepared to introduce this one.

Mr. Fleming (Eglinton): That is what you said before.

The Acting Chairman (Mr. McCleave): Shall the amendment carry?

Some hon. Members: Carried.

Amendment agreed to.

The Acting Chairman (Mr. McCleave): Shall clause 25 renumbered, now, as clause 23, carry?

Mr. Pickersgill: I think the minister should give us some explanation before this is carried.

Mr. Fleming (Eglinton): This clause 25, renumbered 23, provides for deductions in respect of amounts contributed to non-profit organizations established to promote scientific research. This is in keeping with paragraph No. 3 of the budget resolution.

Mr. Pickersgill: Has the minister knowledge of any serious intention on the part of taxpayers to take advantage of this position or is this something which has been generated entirely within the government in the hope that it will have some effect? Is this the result of proposals which have been made to the government by corporations, or is it part of the policy of the government?

Mr. Fleming (Eglinton): It is, of course, part of the policy of the government to encourage scientific research, but we have some hopes that this new provision will be used.

Mr. Pickersgill: The minister says "hopes". What I was really asking about were not hopes but expectations. In other words, have

there been representations from any corporations that this legislation would be desirable and likely to be productive?

Mr. Fleming (Eglinton): We have had some representations. I am not going to say that any particular corporation has committed itself to making donations for this purpose if the legislation is passed.

Mr. Benidickson: The minister has indicated that a substantial portion of this amending bill is to be forgotten or deleted because, contrary to his boast, he is not ready to deal with a proper set up for the taxation of personal corporations. But I have found on page 20 of the amending bill a subclause, I refer to subclause (2), with respect to subsection 4 of section 139 of the Income Tax Act which means that this subsection would simply be eliminated very quietly. I am neither defending it nor supporting it, but I think we did not have enough information before us with respect to the intention had we proceeded tonight with the bill as presented to us by the minister. I refer to the subsection which, I take it, is to be appealed. I could not see that it was related very closely to some other clauses in the amending bill but it referred to farming, or a combination of farming, as affecting certain taxpayers. As I say, I am not quarrelling with the minister's original proposal but I say it represents a back door effort; or perhaps it is thrown out in a front door effort, because the minister is discarding all his proposed amendments with respect to personal corporations. Inasmuch as this was not very strongly emphasized on budget night, perhaps when the minister is reintroducing his proposals with respect to personal corporations he would give just a little more prominence to this little matter which I saw indicated—the elimination of a provision which might be of importance to some taxpayers but which was not referred to in the minister's budget speech.

This subject, I take it, is not considered worthy of discussion tonight because the minister has abandoned it together with a whole section of the bill to which the minister said he had given extensive consideration and upon which we thought he had reached solid conclusions. I asked the minister not to throw out of the window on some other occasion, perhaps, a provision such as subsection 4 without warning the taxpayers involved.

Clause agreed to.

On clause 24—*Personal corporation defined.*

The Acting Chairman (Mr. McCleave): Shall clause 26, renumbered clause 24 carry?

Mr. Pickersgill: No, I think the minister should give us an explanation of this clause.

Mr. Fleming (Eglinton): This clause 26, renumbered 24, is consequential on the introduction of the provision for deferred profit sharing plans.

Mr. Pickersgill: In what way is it consequential?

Mr. Fleming (Eglinton): There has to be a provision dealing with the taxation year of the trust. That is why we have a provision in clause 26 amending section 79 of the act.

The Acting Chairman (Mr. McCleave): Shall the clause as renumbered carry?

Mr. Peters: Does the minister intend to say anything about the regulations which will be passed to protect the funds under this new clause?

Mr. Fleming (Eglinton): We shall be dealing with that under the next clause.

Clause agreed to.

Mr. Fleming (Eglinton): We have renumbered clause 26 as clause 24.

I am proposing now, Mr. Chairman, that we introduce a new clause to be numbered 25. It is among the amendments already referred to. Perhaps I should ask my colleague the Minister of Mines and Technical Surveys to move it at this time.

Mr. Comtois: Mr. Chairman, I move that Bill No. C-120 be amended as follows:

By adding thereto, immediately after clause 24 as renumbered, the following clause:

25. (1) Paragraph (b) of subsection (3) of section 79B of the said act is amended by striking out the word "or" at the end of subparagraph (i) thereof, by adding the word "or" at the end of subparagraph (ii) thereof and by adding thereto the following subparagraph:

(iii) to any person by way of an annuity, to be increased or reduced depending upon the increase or reduction in the value of a specified group of assets constituting the assets of a separate and distinct account or fund maintained in respect of a variable annuities business by a person licensed or otherwise authorized under the laws of Canada or a province to carry on in Canada such business;

(2) This section is applicable to the 1961 and subsequent taxation years.

Mr. Fleming (Eglinton): Perhaps the committee would like—

Mr. Benidickson: I should like to ask the minister—

Mr. Pickersgill: Could we have copies of the amendment?

Mr. Fleming (Eglinton): They were distributed this morning.

Mr. Pickersgill: I suppose we must keep track of these things.

The Acting Chairman (Mr. McCleave): This proposed amendment will be found in *Votes and Proceedings* of Friday, July 7 at page 1.

On clause 25.

Mr. Fleming (Eglinton): Mr. Chairman, perhaps I might say a word of explanation in regard to this amendment. Section 79B is the section that deals with registered retirement savings plans. The committee will not require any comment in respect to registered retirement savings plans in general. These were introduced several years ago.

Mr. Pickersgill: Could the minister say precisely when they were introduced.

Mr. Fleming (Eglinton): They were introduced in the year 1957.

Mr. Pickersgill: Could the minister say in what part of that year?

Mr. Fleming (Eglinton): It was done by chapter 29 of the statutes of that year.

Mr. Pickersgill: I did not hear the answer.

Mr. Fleming (Eglinton): I said it was done by chapter 29 of the statutes of that year.

Mr. Pickersgill: Could the minister say at what stage of the year they were introduced?

Mr. Fleming (Eglinton): I think it was at the usual stage.

Mr. Benidickson: This was introduced by Mr. Harris.

Mr. Pickersgill: The minister finds it very difficult to say that this was introduced by Mr. Harris but that happens to be the fact.

Mr. Drysdale: Is that the last time you saw Harris?

Mr. Fleming (Eglinton): Isn't this just lovely? The hon. member has answered his own question.

If I may proceed with the explanation which I think the committee would wish, the kind of provision by way of benefit under registered retirement savings plans which have been contemplated under this section have fixed periodical payments. By amendment to the insurance acts made at this present session we have opened the way now for the writing of what have been called variable annuities. As hon. members will recall this was one of the features of the revisions this year to both the Foreign Insurance Companies Act and the Canadian and British Insurance Companies Act. We have a new concept now under which payments of the so-called variable annuities will have variable benefits based on the return from equities. This is a departure from the concept of the periodical payments of precisely fixed amounts determined by the contracts at the time they are written. As it is likely that the new type of annuity will be written perhaps extensively in view of the interest shown in it by some of the major insurance companies it is necessary now to ask the committee to amend the provisions of section 79B of the act to bring variable annuities within the scope of registered retirement savings plans.

Mr. Benidickson: Mr. Chairman, has this proposal generally met with the approval of those concerned on both sides of the contract basis?

Mr. Fleming (Eglinton): This was asked for by representatives of the life insurance companies.

Mr. Pickersgill: Could the minister say how it happens that this was not included in the bill originally? Was this something that was proposed after the budget was brought down or was it something that was overlooked?

Mr. Fleming (Eglinton): It had not been possible up to the time this bill was introduced to devise a clause that would meet the points of view of both the government on the one hand and insurance companies on the other. Further discussions were necessary and this clause is now being considered. I am told it meets with the satisfaction of the Canadian life insurance officers' association.

Mr. Pickersgill: I should like to ask the minister if he has no notion of how extensive the use has been of the scheme as it exists now, which we are now seeking to amend? Is there any record of the extent to which the taxpayers are taking advantage of this particular scheme? Are statistics kept of a general character that would enable us to tell what extent self-employed perosns without salaries or wages are using this retirement plan?

Mr. Fleming (Eglinton): I am informed that the Department of National Revenue has not attempted to keep such statistics in respect to registered retirement savings plans.

(Translation):

Mr. Boulanger: Mr. Chairman, I wish to ask the Minister of Finance a question and so he will understand me better, I shall ask it in English.

(Text):

Is the contribution of an employee to a deferred profit sharing plan to be allowed as deduction from income as in the case of any registered pension plan?

Mr. Fleming (Eglinton): No, Mr. Chairman. The ordinary profit sharing plan does not contemplate contributions by employees but contributions on the part of the employer. It is a plan for sharing the profits of a business with the employee. This legislation which we will be coming to, will cover that item. I think we should wait until we reach the next clause before launching into a discussion in this regard. I suggest the hon. member is one clause ahead of us.

(Translation):

Mr. Boulanger: Mr. Chairman, I think that matter is covered in the clause we are dealing with. I am simply asking—

(Text):

Mr. Fleming (Eglinton): Mr. Chairman, the hon. member is asking me about deferred profit sharing plans which we will be discussing when considering the next clause.

Mr. Boulanger: Did we not change clause 25 to clause 27?

Mr. Fleming (Eglinton): We are now dealing with an amendment inserting a new clause to be numbered 25 after clause 26 which has been renumbered clause 24.

Mr. Benidickson: Mr. Chairman, we are having trouble with these renumbered clauses because the government keeps changing its mind. It has changed its mind at least four times as shown by the amendments made since June 20, and has again announced a major amendment which takes out many clauses of this amending bill. This confuses the hon. member for Drummond-Arthabaska as well as others.

Mr. Fleming (Eglinton): This amendment would be much less confusing, Mr. Chairman, if we can reach the next clause.

Mr. Benidickson: With respect to the taxation year there seems to be some necessity in regard to registration as covered by clause 26. I wonder whether the minister can tell us what it is?

The Acting Chairman (Mr. McCleave): Shall the amendment carry?

Mr. Pickersgill: Mr. Chairman, I think my friend the hon. member for Kenora-Rainy River was referring to clause No. 26 which is No. 24.

Mr. Bell (Carleton): That clause has now been carried.

Mr. Benidickson: They have all been changed.

Mr. Fleming (Eglinton): We are now dealing with an amendment to insert a new clause 25.

Mr. Pickersgill: Mr. Chairman, I have another query I wish to make in respect to clause 25. Have any representations been made on the extent to which taxpayers are likely to avail themselves of this additional opportunity for saving?

Mr. Fleming (Eglinton): On variable annuities?

Mr. Pickersgill: Yes.

Mr. Fleming (Eglinton): Only time will tell, Mr. Chairman. They have been written on a very limited scale by one or two provincially incorporated companies that are not under federal jurisdiction. This is the first time that the companies under federal jurisdiction have been writing them, and this new type is just in its infancy. I think it is quite impossible to say, but I have been led to understand that the large life insurance companies, or at least some of them, expect the variable annuities to be sold on a considerable scale.

Mr. Pickersgill: Are the large life insurance companies going into this field?

Mr. Fleming (Eglinton): I know two of them that have made such announcements; I presume others will.

Mr. Pickersgill: Is this something that was primarily prompted by the government, or is it something that the companies brought to the government and the government felt it was a good thing?

Mr. Fleming (Eglinton): Oh, companies have been asking for this for some time.

Amendment agreed to.

Clause as amended agreed to.

On clause 27.

Mr. Fleming (Eglinton): I have an amendment here. You have it before you, Mr. Chairman. May I ask my colleague, the Minister of Mines and Technical Surveys to move the amendment.

Mr. Comtois: I so move.

The Acting Chairman (Mr. McCleave): Mr. Comtois moves:

That the bill be amended by renumbering clause 27 as clause 26 and substituting for the word "employee" the word "employer" in line 37 on page 22.

Is it the pleasure of the committee to adopt the amendment?

Amendment agreed to.

The Acting Chairman (Mr. McCleave): Clause 27.

Mr. Fleming (Eglinton): It is on this clause that the hon. member for Drummond-Arthabaska asked me about the contributions of employees to deferred profit sharing plans. I repeat that no provision is made for employees contributions to deferred profit sharing plans. The essence of such a plan is that the employer sets aside some portion of his profits not for immediate distribution among his employees but puts them in a fund. Into the fund he will make his payments periodically according to the provisions of the plan. The employee does not draw anything out until a stated period, presumably on retirement. Now, in the meantime benefits are accruing on his behalf in the fund, but under the legislation as it has been hitherto he was taxed in respect of the sums accruing to him under any such plan. Under the present amendments there will be a deferment of tax during the period when these sums are accumulating on behalf of the employee, and then when he retires and draws out benefits he will become taxable at that time on the benefits withdrawn.

There are extended provisions here dealing with the various aspects of the plan. We have the definition of the deferred profit sharing plan, what is meant by a profit sharing plan; and we have provisions for registration of such plans. The minister is not permitted to accept for registration any of these profit sharing plans unless they comply with a considerable number of conditions which occupy most of page 22 of the bill. Provision continues on page 23 for acceptance of such plans for registration by the minister. They are given a registration date, and no tax is to be levied under subclause 6 while the trust is governed by the plan.

Then there is provision in subsection 7 for setting a ceiling on the employer's contribution which may be deductible from his income for tax purposes, and here the ceiling is the lesser of either the aggregate of each payment paid by the employer in respect of the individual employee or $1,500 minus the amount, if any, that is deductible under another clause, so that we are working here broadly speaking under the same kind of ceiling as applies to registered pension plans. The employer, up to this ceiling of contributions, may deduct them from his income for tax purposes. In this way encouragement is given by the law to the establishment of deferred profit sharing plans.

Page 24 of the bill deals with the provision for limitation of deductions, the portion of receipts that are deductible, and page 25 deals with the appropriation of trust property by the employer and for the revocation of registration in the cases there stated. Page 26 of the bill sets forth the rules applicable to a plan that has been revoked.

The hon. member for Kenora-Rainy River asked me earlier to deal with the differences between the provisions in this bill respecting deferred profit sharing plans and those in the 1960 draft bill. Perhaps I might review these briefly, if hon. members are interested in them, Mr. Chairman.

First, in regard to the definition of the plan, the present bill provides that the employer must join in the application to register a plan as a deferred profit sharing plan. In Bill No. C-84, which was the 1960 bill, only the trustee was required to make application.

Second, also in relation to the definition of the plan, the present bill deletes a restriction which existed in Bill No. C-84, where a plan covers the employees of more than one employer. In Bill No. C-84 contributions could be made only for the benefit of "employees of the employer or of a corporation with whom the employer does not deal at arm's length". The present bill provides that contributions may be made for the benefit of "employees of that employer or employees of any other employer".

The third difference is in relation to withdrawals for cause. The present bill removes a restriction which existed in Bill No. C-84 concerning withdrawals from a plan. Bill No. C-84 provided that a plan could not permit a payment of proceeds to any employee or beneficiary, except for a reasonable cause, before death or retirement of the employee or the winding up of a plan. The present bill removes this restriction and will permit plans to pay out proceeds at any time to employees if they choose. Such proceeds will, of course, be taxed when received.

This change means that the Department of National Revenue officials will not have to judge what is "reasonable cause" for a payment under a plan. This decision will be left to those who manage the profit sharing plan.

The fourth difference relates to capital gains and losses. The present bill provides that net capital gains made by the trust while a plan was an employee's profit sharing plan may be received tax free when paid out as proceeds. This concession was not contained in Bill No. C-84.

Only capital gains, less capital losses, made while the plan was an employees profit sharing plan qualify for this concession. Proceeds from a deferred profit sharing plan attributable to capital gains made by the trust while the plan was a deferred profit sharing plan are not exempt. This is in conformity with the tax treatment of capital gains made by

the trust of a pension plan. If a taxpayer is to enjoy the benefit of tax deferral on income he must be prepared to pay tax on all the proceeds accumulated during the period the plan was a deferred profit sharing plan.

The fifth difference relates to the date of registration. This present bill is much less restrictive concerning the date of registration of a deferred profit sharing plan. It permits the date of registration to be the date of application or any later date specified by the applicants. Bill No. C-84 provided that a plan would be deemed to become registered as a deferred profit sharing plan on the first day of the year immediately following the year in which the application was made.

The sixth difference relates to income of the exempt trust. The present bill adds a requirement that the trust for a deferred profit sharing plan must receive 90 per cent of its income from sources in Canada. This is in conformity with a similar requirement introduced in the December supplementary budget for trusts for pension plans. This requirement did not exist in Bill No. C-84.

The seventh difference relates to the notice of revocation. This present bill requires that notice of revocation of the registration of a plan as a deferred profit sharing plan must be mailed to an employer of employees under the plan as well as to the trustee. Bill No. C-84 required only that notice be sent to a trustee under the plan.

Mr. Benidickson: Mr. Chairman, I am very glad that the minister has given us this explanation because Bill No. C-84 was introduced by him last year. He has indicated some seven changes in the amendments to the Income Tax Act now before us which were not provided in the original bill presented by him last year, namely, Bill No. C-84. We have all received the submission to the minister from the Canadian chamber of commerce relating to profit sharing legislation. The minister will be familiar with page 38 of their submission. I believe that this has been adhered to in the bill now presented to us. I should like to know the contrary or adverse representations that may have been made to the minister which are not recognized or reflected in this legislation.

We have had presented to us tonight an amendment to paragraph (d) of subclause 2 of clause 27 which seems to be merely a substitution of the word "employer" for the word "employee". Be that as it may, I have a simple question I wish to ask the minister because I think this is a very important section of the amending bill. I refer to the question of at least 50 per cent of the property consisting of notes, bonds, debentures or similar obligations of an employer which I take it could not be in the resources of the plan. Is that not a very essential part of the legislation that is before us and does the amendment change that? In other words, no part of the funds of the trust governed by the plan may be invested in shares of a corporation at least 50 per cent of the property of which consists of notes, et cetera. Does this amendment completely upset that? I was satisfied, I think, with the original proposals. I see no objection to employees investing in profit sharing assets that involve the business to which they are devoting their attention but with this amendment are we completely altering what was originally proposed by the government as presented to us on page 22 of the bill?

Mr. Fleming (Eglinton): No, Mr. Chairman. The provision to which the hon. member has been referring in relation to the 50 per cent reference is to be found in subclause 2 (d) of the clause with which we are now dealing.

(Translation):

Mr. Boulanger: I thank the minister for his information.

I am pleased to welcome the hon. member for Roberval (Mr. Tremblay) who, as usual, is unable to make an interjection from his seat.

I asked the minister a question and I thank him for his answer. However, I would like to go further and submit the following point to him.

In some industries there is both a deferred profit sharing plan and a pension plan.

In the deferred profit sharing plan, the worker contributes a certain amount, and so does the employer.

Would that contribution of the worker be taxable with regard to income tax?

Mr. Fleming (Eglinton): Yes, Mr. Chairman, the worker's contribution will be taxed.

Mr. Boulanger: In the case of the pension fund, to which the worker contributes, I think his contribution is not taxable. Now, I ask the minister why the worker's share in a deferred profit sharing plan is taxable, whereas his contribution to a pension fund is not?

Mr. Fleming (Eglinton): Mr. Chairman, we are discussing two different things. The pension is one thing and the deferred profit sharing plan is another.

The legislation has different provisions for those two plans.

Mr. Boulanger: If there is in one industry both a pension plan and a deferred profit sharing plan, do you not think that the fact that the worker's contribution is taxable in one case, that of the deferred profit sharing plan, creates a discrimination in respect of the other plan? It is not an encouragement to contribute to the deferred profit sharing plan, since contributions to such a plan will be taxable. This is why I am putting that question.

I realize that as far as results are concerned those two plans are different. But still I would like the worker's contribution to a deferred profit sharing plan to be non-taxable like his contributions under a pension plan.

Mr. Fleming (Eglinton): Mr. Chairman, there is no discrimination here. As I said, they are two different matters. The worker's contribution to a pension fund is non-taxable, but his contribution under a deferred profit sharing plan is taxable.

The industry may have both plans, but different provisions as far as taxation is concerned.

Mr. Boulanger: I have here a brief from the council of profit sharing industries.

It was prepared by various financial organizations composed of experts on that subject who made many recommendations to the government.

Here is one of their proposals:

(Text):

The council strongly recommends employee contributions be permitted as deductions from income for income tax purposes.

(Translation):

I based my argument on that brief.

Since contributions by the employee to a deferred profit sharing plan are taxable, there is discrimination in fact against that plan.

That is why I urge the minister to provide that such a contribution will not be taxable, just like the contribution to a pension plan is not taxable.

Mr. Fleming (Eglinton): If the worker wishes to contribute to a plan where his contribution will not be taxable, it must be a pension fund, as this deferred profit sharing plan has nothing in common with a pension plan. It is an entirely different thing.

Mr. Boulanger: I know quite well the difference between a pension fund plan and a deferred profit sharing plan, because both have been in force in my own industry for several years and—

An hon. Member: You can bury them.

Mr. Boulanger: In discussing such plans, I think I can enlighten the hon. member for Roberval (Mr. Tremblay) who does not seem to know what it is all about.

Mr. Tremblay: Do they provide benefits for the dead?

An hon. Member: Even those in Roberval.

Mr. Boulanger: I should also like to ask the minister a question dealing with the employer's share of the $1,500. In fact, it is the same question in another form. In an industry where both plans are available—take the case of my own industry where employees can contribute to a pension plan and to a deferred profit sharing plan—if I were to contribute two amounts adding up to the total of $1,500, would the tax exemption apply to both?

Mr. Fleming (Eglinton): The employer can deduct $1,500 for tax purposes, but he cannot deduct it twice.

Mr. Boulanger: This means, then that the amount paid by an industry to a deferred profit sharing plan would be limited to $1,500, and if I paid an additional amount of $500 into the pension fund, I take it that I would be taxed on the $500?

Mr. Fleming (Eglinton): Mr. Chairman, I must repeat that we are discussing two entirely different things.

Mr. Boulanger: I come back again to this matter.

I am sorry to inconvenience the hon. members.

Mr. Martel: It is no trouble at all.

Mr. Boulanger: Excuse me, then.

Yet this recommendation is made by the council of profit sharing industries in its brief. Maybe I do not understand what is written therein, but it seems clear. We should like that the contribution made to a profit sharing plan be no more taxable than a contribution to a pension plan. That is simply what we want and what is requested by the council of profit sharing industries. We know that the two plans are different and involve two types of contributions, but we should like that neither of them be taxable.

Mr. Pickersgill: It seems to me that since this is—

The Acting Chairman (Mr. McCleave): Order; the Chair recognized the hon. member for Welland.

Mr. Pickersgill: I beg the hon. gentleman's pardon.

Mr. McMillan: I simply wish to ask the minister whether there are any regulations providing for the treasury to recapture some of the loss in income tax because of payments into some of these profit sharing plans and also deferred retirement plans. I have in mind the age of retirement and the speed with which money has to be returned. I just wondered whether there were regulations in respect of this matter.

Mr. Fleming (Eglinton): I am trying to follow the hon. member. Is he asking about regulations under the deferred profit sharing plan?

Mr. McMillan: Yes, in this plan where a certain amount is paid in respect of the employer.

Mr. Fleming (Eglinton): These provisions are not in effect yet. This is introducing a new idea into the Income Tax Act, so there are no regulations as yet to deal with it.

Mr. Pickersgill: Mr. Chairman, I was going to observe that what we are doing here is setting out a very important new plan so far as taxation is concerned. We are making to these profit sharing plans the same kind of concessions as have been made for some years to pension plans, that is to say the contributions of employees shall not be taxable as income at the time they are made but shall be taxable at the time they are ultimately received. If I am not stating the matter correctly, I should like the minister to correct me because I am seeking to understand this provision. This is a new, complicated and rather lengthy section of the act. I do not believe we should just say "carried" without going over each subsection to see what it really means.

We do now that, with regard to some pension plans of late, some questions have been raised in very exalted quarters. It would be perhaps just as well before we deal with this matter to make sure that we are making a law that is workable and that is not going to be called into question and that the taxpayer's rights as well as his status are not going to be called into question at some future occasion. I suggest, therefore, sir, you call each of the subsections separately so that we can question the minister on the details and really understand what is meant by each part of this provision.

It seems to me I understand clearly what is meant by subsection 1. I think I know what the word "deferred" means. It means that the share of the profits coming to the employee is not going to be paid out in the year in which those profits are made but is instead going to be paid into a fund which shall have a trustee who will pay that out on some subsequent occasion. I assume also, and this is an assumption which I imagine is correct but the minister can put me right if I am not right, that any contributions made by employers to this profit sharing fund are of profits after tax, and that there is no way in which any of the profits before corporation income tax has been applied to them can be paid in; is that correct?

Mr. Fleming (Eglinton): No, he can deduct up to the amount of the contribution for each individual employee not exceeding $1,500 in any one case.

Mr. Pickersgill: In other words, this a device by which corporation income tax is also reduced as far as the treasury is concerned?

Mr. Fleming (Eglinton): Just as in the case of a contribution to a registered pension plan. There is the same ceiling. This is an over-all ceiling. You cannot contribute $1,500 per employee under a registered pension plan and another $1,500 under a deferred profit sharing plan; $1,500 is the over-all limit of contributions per employee.

Mr. Pickersgill: You can do one or the other but not both?

Mr. Fleming (Eglinton): You can do both but the employer cannot have an exemption for more than $1,500 aggregate of contributions per employee.

Mr. Pickersgill: The minister will see that I have learned something already. I think my friend the hon. member for Drummond-Arthabaska has another question.

(Translation):

Mr. Boulanger: Section 79 of the present act prescribes that the employer's share is not taxable, which means that there is no limit to the amount he may subscribe. Is that right? I mean under the present act, not under the bill we are considering now.

Mr. Fleming (Eglinton): That is quite correct, there is no limit now but the contribution is taxable each year.

Mr. Boulanger: Under the present act, the employee's share—

Mr. Fleming (Eglinton): The tax is not deferred.

Mr. Benidickson: That is the pension.

Mr. Boulanger: It seems as though a non-deferred profit sharing plan is taxable because it says here that:

An amount paid by an employer to a trustee under a profit sharing plan during a taxation year or within 120 days after the end of the year, can be deducted in the computing of the income of the employer for the taxation year, providing such amount was not deductible in computing the income of the employer for a previous taxation year.

Mr. Fleming (Eglinton): In the present act, it is the same as in the case of wages; the employer's contribution is taxable in the hands of the employee, now.

Mr. Boulanger: Why then the amendments in Bill C-120? Why a limit of $1,500?

Mr. Fleming (Eglinton): Because we are introducing a different plan from the one referred to by the hon. member. The difference is that the profits are deferred, the tax is deferred and the employer's contribution is not taxable under this deferred profit sharing plan. There lies the difference.

Mr. Boulanger: I realize of course that there is a difference between the two plans, but both have the same purpose. The purpose in either case is to establish a pension fund for the employee when he retires. I see therefore no reason why there is under the new act a limit of $1,500.

The recommendations of the council of profit sharing industries make reference to the employer's contribution. I have studied carefully these recommendations and it is requested, or rather I will read them to the minister. First—

(Text):

(a) that restrictions on employer contributions to a deferred profit sharing plan be entirely divorced from any contributions which an employer may make to a registered pension plan;

(b) that employer contributions to a deferred profit sharing plan should not be permitted to exceed in any year, 15 per cent of the total payroll of participating employees.

(Translation):

So the council of profit sharing industries asks that the limit be not $1,500 but 15 per cent of the total amount of the employer's contributions, which would be more logical.

(Text):

Mr. Fleming (Eglinton): I think I should point out to the hon. member that he is referring to representations made by this council previously, not the most recent ones.

Mr. Boulanger: Last year.

Mr. Fleming (Eglinton): While there were representations designed to seek a raising of the limit beyond $1,500 which any employer may contribute to such an employee, we have not seen fit to give effect to those representations.

The hon. member has been discussing two different things. Where it is a matter today of an employer sharing profits with his employee without any tax deferment under a plan, then obviously the distribution is assimilable to the payment of wages and the employer may deduct as an expense of doing business his contributions by way of profit sharing if there is to be an immediate distribution. It is just as though he were enlarging his wage bill. He can deduct without limit from his income tax the amount that he chooses to distribute by way of profits among his employees. But in that event the money is taxable in the hands of the employee.

We must put aside those ideas entirely when we come to the scheme of deferred profit sharing plans. Here, with a view to encouraging employers to share profits and also to set them aside in a plan that will provide benefits to the employee at the time of retirement, we do not propose to tax the employee in respect of those contributions made on his behalf by the employer into the fund and we propose to allow the employer to deduct up to $1,500 per employee the contribution that he makes into the fund on behalf of that employee. These are benefits that are extended to both employer and employee in order to encourage employers to make this kind of provision for employees under proper plans, with proper trust provisions, these plans to be registered according to rules with the Minister of National Revenue, in order that there may be something available to these employees at the time of retirement. These is therefore all the difference in the world between the conception of profit sharing in terms of immediate distribution and profit sharing under a deferred profit sharing plan.

(Translation):

Mr. Boulanger: Mr. Chairman, this brief I received from the council is of recent enough date since it was sent me on May 8, 1961, and I think the minister got it even before I did.

I should like to ask the minister what objection there would be to limiting the employer's contribution to 15 per cent of the total amount of wages paid instead of $1,500?

Mr. Fleming (Eglinton): Mr. Chairman, I have already attempted to give that information to the hon. member. We consider the limitation which we are applying at present is fully justified.

(Text):

Mr. Pickersgill: I must say that merely to say that it is justified is one thing but that to say why it is justified is quite another thing. My hon. friend has sought several times, by putting his question, to find out what the basis or the foundation is for this $1,500 non-taxable limit in the case of each employee. Is it because the government feels that this

is all it can afford to lose out of its immediate revenue? I can see a point there. If profits are paid into a deferred fund of this kind and there is no limit upon it there is, conceivably going to be a greater loss to the revenue in the current year than the treasury would care to contemplate, though, after all, employers have to make profits for the shareholders, too, so perhaps it would not go to very great lengths. But is that the sole basis of the $1,500 a year or is there some other reason?

Mr. Fleming (Eglinton): It is the same reason as prompted the former government to propose a limit of $1,500 in the case of a contribution to an employee's pension fund. There are two reasons. Obviously, one is so that there may not be substantial tax benefits going to persons with large incomes related to provisions of this kind, and the other is the extent to which it is fair to impose a burden on the treasury in aid of such a plan.

Mr. Benidickson: My curiosity is aroused because of other debates we have had about some senior officials whose pensions have come under discussion. Am I right in my assumption that in so far as individuals are concerned the highest amount that any individual may deduct from his gross salary in the course of a year for payment into a retirement pension plan is $1,500 a year? I believe crown corporations occasionally make profits. Some do not. The Canadian National Railways incurs substantial deficits. But should they make a profit they are obliged, I believe, to pay income tax. But they could not deduct in respect of any employee, including the president, on a tax deduction basis, more than $1,500 for any one of their employees. Is that the situation across the land?

Mr. Fleming (Eglinton): Leaving out past service, the act at the present time allows a contribution of $1,500 by the employer to an employee pension plan and $1,500 by the employee. In the case of the registered retirement savings plan where you have one person contributing instead of the employer-employee combination the maximum contribution is $2,500 per anum.

Mr. Benidickson: Yes. We are thinking of the private enterprise annuity or whatever was made possible in 1957. But you cannot have both. When we provide, in our new law, section 79C and incorporate that into our income tax schedule, no taxpayer, and this includes the corporations, as an employer, and no individual as an employee will be able to take advantage of more than one of the sections. The $1,500 has to be taken up by the corporation in connection with the pension scheme or a deferred profit sharing plan. In a similar way, an employee cannot deduct $1,500 as his contribution to a pension plan and an additional $1,500 with respect to deferred profit sharing plan. Am I right?

Mr. Fleming (Eglinton): That is right. You cannot do it twice. Contributions can be made to the two plans but no more than $1,500 per annum per employee may be deducted for tax purposes.

Mr. Pickersgill: The minister told my hon. friend from Drummond-Arthabaska that there was no limit to the amount of profit which an employer could put into one of these schemes for immediate distribution in the same tax year. I think the minister gave as his reason for that the explanation that this was assimilable to wages and therefore it was taxable as personal income. It is conceivable, of course, that the tax on personal income would be at a much lower rate than the tax would be in connection with corporation income tax. The government has decided to restrict contributions to $1,500, and I am not arguing about that, because the minister and his officials have got to judge what the needs of the treasury are. I am not criticizing that at all; I am just noting it. Is there any evidence that there is any serious loss to the treasury in revenue from these profit sharing plans where the profits are distributed immediately, a loss substantial enough to make the government feel there should be a limit there?

Mr. Fleming (Eglinton): There are no statistics kept on this, but I have no doubt the answer would be in the negative.

Mr. Pickersgill: I trust that my suggestion regarding procedure will be adopted. I think my hon. friends on this side all concur in it. At least, I hope they do. My suggestion is that we should take the subclauses one by one. It would be understood that we would not go back to them. This is a long, complicated and involved clause. I think that if we are going to do our duty as the representatives of the taxpayers we ought to scrutinize the clause carefully. I have only one more question to ask on subclause 1. It is an important question. The minister may say it is referred to in a subsequent clause. If he does, that ends it as far as I am concerned.

The minister has to approve these plans. There is a trustee. Does this mean that some kind of supervision of these plans is envisaged by the federal government to make as sure as they can be that they are run in a competent manner and that the trustees behave as trustees should, or do the federal government consider this to be beyond their jurisdiction?

Mr. Fleming (Eglinton): Obviously, the Minister of National Revenue is mainly responsible for reviewing the plan submitted in order to determine whether under subsection 2 he should accept it for registration. Then, if we were to read further on in this bill we would see the conditions under which the minister may revoke the plan. This is to be found in subsection 13. Obviously this arrangement assumes a measure of supervision. I am not going to say it can amount to a detailed measure of supervision from year to year but obviously in order to discharge the burdens put upon him by this clause the Minister of National Revenue will have to undertake supervision in the manner indicated.

Mr. Pickersgill: Is this supervision to be exercised merely by the tax collector or is there to be some measure of supervision by, say, the superintendent of insurance? What does the government envisage in this regard?

Mr. Fleming (Eglinton): It would be the Minister of National Revenue.

Mr. Pickersgill: What kind of staff would be envisaged for the purpose of doing this work? This is really important. It does seem to me that if we are going to allow these deferred trusts, these deferred profit sharing plans to be set up, there might be serious eventual losses to the treasury, in addition to the deferment of immediate revenue if the funds were to be dissipated.

Mr. Fleming (Eglinton): I cannot say in detail what kind of section will be set up within the department or how it will be staffed to deal with this. There are provisions here, Mr. Chairman, that obviously lay certain duties upon the minister and when the bill comes into effect the minister will have to be responsible with the assistance of the civil service commission to make the staff provisions required to discharge the duties imposed upon him by the legislation.

Mr. Pickersgill: Mr. Chairman, I should imagine that the same kind of persons and staff that the minister now uses for whatever supervision he may give to pension plans would be the obvious kind of persons to be engaged in this kind of activity. Does the minister consider that to be correct? I cannot imagine that the government is asking us to set up a plan of this kind without having thought out the administrative scheme carefully before doing so. Unfortunately, as we all regret, the Minister of National Revenue is not here to give us any guidance in the matter. It might be that his parliamentary secretary could throw a flood of light on this question. He is here and we all know how eager he is, and I am sure we would be delighted if he could give us a little help in this matter.

Mr. Fleming (Eglinton): There is nothing I can add to what I have said. This matter has to be worked out when the legislation is passed. It is partly a departmental responsibility and partly the responsibility of the civil service commission.

Mr. Benidickson: Mr. Chairman, I think the hon. member for Bonavista-Twillingate has a good point. We are enlarging the field under which some form of old age security may be worked out. We are referring now to a matter of deferred profit sharing which will be used, for the most part, by individuals for purposes of old age retirement. The minister came before parliament on budget night and talked about the portability of pensions as reported at page 6660 of *Hansard* of June 20, 1961. He also indicated his willingness to confer with the different provinces in regard to these matters. I was surprised that he indicated some insecurity in regard to pension schemes which already exist for old age retirement plans; yet at the same time he introduced, through tax laws, an element of encouragement in profit sharing which will take place under this proposed amending bill. He suggested there was some form of registration in existence now carried out by the Department of National Revenue.

I suggest we forget about the uncertainties that have existed in the past in regard to portability of pensions, because we are starting afresh this year with something which I assume the minister wants to launch on a sound basis. How does he intend to ensure that these new schemes will be registered and tied up with the Department of National Revenue? How does he intend to ensure that this program will be commenced on a clear and sound basis so that in future years we will not find it necessary to come back and discuss this scheme and its security with the provinces and companies involved? I suggest that is what the hon. member for Bonavista-Twillingate was dealing with.

We have exempted in a similar way contributions made by employers and employees to pension schemes. For a long time we have had very loosely defined registration of such schemes with the Department of National Revenue. However, in regard to this new type of tax exemption encouragement to individuals to provide security in old age by way of profit sharing plans, we are commencing under the aegis of the federal government something new which we hope will do the complete job. The minister has cast doubts upon a great number of old age security

schemes, payments to which are now exempted taxation and took a whole page of *Hansard* on June 20, 1961, to do so. Is he sure that this scheme is to be launched on a sound basis so that within three, five or 10 years it will not be necessary to come back to the companies, provinces and others to renegotiate it again? I think this type of assurance should be given by the minister because he said in his budget speech he intended to review the whole situation in regard to pensions, portable and otherwise.

I should also like the minister to deal with the portability of pensions provided by profit sharing programs. Is there any clause to be included in such schemes which would not allow an employee to benefit from years of employment until he had remained a certain period of time with a specific employer? Has that situation been taken into consideration in the drafting of the provisions now before us about which the minister boasts? Before he retracts some of the old plans which he has criticized I should like him to give some assurance that this new profit sharing arrangement provided for under this new measure—of which I approve and think very desirable—is being commenced on a proper and worth-while basis following complete and thorough consultation with the provinces, companies and others. I suggest in this regard the minister should give us an indication that he is going to be as paternal as he proposed he was in respect to the original plan for old age security to which he referred as reported at page 6660 of *Hansard* for June 20, 1961.

(Translation):

Mr. Boulanger: I would have another question to direct to the minister. Are the profits of a trust company, administering a pension fund for a group of workers, taxable?

Mr. Fleming (Eglinton): Mr. Chairman, I did not understand the question.

Mr. Boulanger: I am asking the minister whether the profits of a trust company, administering a pension fund, are taxable?

Mr. Fleming (Eglinton): Yes, Mr. Chairman, it is a taxable profit.

Mr. Boulanger: I believe there is a section in the present act which says that the profits of a trust company are not taxable.

(Text):

Mr. Fleming (Eglinton): I think the hon. member is misleading himself in talking all the time about a trust company. What he means is a trust fund. I am trying to read some sense into his question. I think he means a trust fund or what is earned by a trust fund.

Mr. Pickersgill: By the trustee.

Mr. Fleming (Eglinton): No, by the fund. It is in the hands of a trustee. It is dealt with here. We will come to that.

Mr. Pickersgill: It is not in this clause.

Mr. Fleming (Eglinton): No.

Mr. Pickersgill: I still have a question about the first subclause, or perhaps I should say an observation which follows the observation made so eloquently by my hon. friend from Kenora-Rainy River. It does seem to me, sir, that we have had about enough in this present year of those broad general principles enunciated by this government which at some time in the remote future are going to provide the administrative or regulatory framework for carrying them out. I will illustrate what I mean. This is just by way of analogy, sir; I am not seeking to debate this matter. Last November we were told we were going to have financial assistance for shipbuilding. We were told about it again in May, and a strategic moment in May, and we have been trying ever since to find out what the scheme is.

Mr. Fleming (Eglinton): Order.

Mr. Pickersgill: This is just by way of analogy to show that we are being given the same old treatment here in this bill.

I said to the minister these deferred profit sharing plans have to be registered and there has to be a trustee prescribed who must make application in a prescribed manner. I asked him something about the degree of supervision and what facilities the department had for doing this. I asked him whether the same people would do it, or people similar to those who were now supervising pension plans with which, as my hon. friend from Kenora-Rainy River rightly reminded us, the government was not very well satisfied because the minister raised a good deal of questioning about the trustees of many of those pension plans. I believe that my hon. friend from Kenora-Rainy River was quite right in saying, if those pension plans have not been well supervised, if we are now going to start this new deferred profit sharing business, let us start it right, let us not have to come back, three, four or five years hence and say many of those trustees under this plan are not very satisfactory and we ought to be doing something about it.

This government seems to have vague, general ideas which it brings in in the form of legislation, with all kinds of regulatory power left to the governor in council to be

carried out some time after and it is usually some time after; but, sir, surely if this is going to amount to anything, if it is going to have any importance, the government ought to know now, and ought to have ready now, the regulations which are going to govern. I do not say that they can lay them on the table now; I am not asking that at all. But I am saying that in my experience when I was in the government—and I was in the government at one time and I had quite a lot to do with it for quite a long time—my right hon. friend, Mr. St. Laurent, did not bring vague, nebulous schemes into this house. He knew where he was going and what he was doing and so did his ministers, and this is why in those days we had an administration in this country instead of a lot of nebulous ideas that never seem to come to any kind of fruition, or if they do they are shockingly badly administered.

From what the minister himself has confessed about pension funds it looks as though we are starting on the same road here with these things without any clear knowledge of how it is going to be done, without any knowledge whether the officials are there to do it.

I gave the hon. member for Edmonton West, the parliamentary secretary to the Minister of National Revenue, the opportunity to tell us how this was going to be done. I am sure the hon. member is a very zealous parliamentary secretary. I am sure he knows. I am sure he has gone into this whole matter in the department and can tell us. I wish he would. I wish he would give us some reassurance as to how this job is going to be done and how efficiently it is going to be done. That is all I am asking. I do hope the parliamentary secretary will give us the benefit of the knowledge he undoubtedly has.

Mr. Fleming (Eglinton): The question was answered some time ago. We are just getting a repetition of the question. The question has been answered. Would we not look bright, Mr. Chairman, coming here and saying we would set up a whole new section before the legislation was ever passed? We prefer to follow the constitutional manner, ask parliament to pass the legislation and then deal with the question of machinery and staff in a prescribed manner that will mean responsibility on the part of the department in association with the civil service commission.

Mr. Benidickson: I think I can answer that immediately by quoting the minister's words in his budget speech as reported at page 6660 of *Hansard*. He referred to what has been on the statute books for a long time and he took a good deal of our time on budget night to say that in connection with pension plans he felt there was much that should be attended to. Now he is introducing something very controversial. I wish to refer him to his words. He said:

> These pension plans are accorded valuable income tax concessions provided they are registered for this purpose with the Department of National Revenue. In general, tax deferral is granted during the period of accumulation and the pension benefits are taxed as personal income as and when they are received.
>
> I doubt very much whether it is as well known as it should be that the federal government does not supervise or control the solvency of private pension funds; neither do the provinces.

The minister is introducing another form of tax exemption on exactly the same line after taking 20 minutes on June 20 to tell us, patting himself on the back, that he felt he was going to tidy up some of these matters for the benefit of those who might reach retirement age and expect to get financial benefits when they arrive at that age. But, as the hon. member for Bonavista-Twillingate has said, he is introducing something new without in any way assuring us that he has provided for those concerned the kind of protection which he said on June 20 was desirable and which had been ignored in the past and which, in consultation with the provinces, he proposes to rectify. That is the position we are in.

What is the project? Is the degree of supervision of trustee plans in the public interest comparable in some respects with the supervision traditionally exercised over insurance companies? Many people may be surprised to learn that no such supervision has existed with respect to pension plans in the past. These are the words of the Minister of Finance when he is appealing to the public in his budget speech with respect to old fashioned ideas of savings provided not only by employers but matched by employees. Now with respect to this plan, when we are introducing new legislation, when the minister has all these things in his mind with respect to the past, why can he not tell us of the supervision which he points out was absent in so far as the federal government is concerned? What supervision does he expect to provide with respect to those deferred profit sharing plans? What reason is there for not telling us about the federal supervision at the time that this kind of legislation is being introduced? Inferentially at least the minister criticized in the past the fact that pension plans had some elements of danger connected with them and should be reviewed, and if he is introducing something new that involves tax exemption on both sides, employer and employee, why can he not say at the same time what he is going to do to make sure

that there is what he referred to as the supervision traditionally exercised over insurance companies?

Mr. Fleming (Eglinton): It is a most unprofitable way to spend the time of this committee to engage in repetition of the kind we have been having. I have already dealt with this question.

Mr. Benidickson: I was giving you your own words. I thought you would like to hear them.

Mr. Fleming (Eglinton): The hon. member has given me my words about something entirely different and I wish he could get these two things clearly separated in his mind. In the one case we are dealing with deferred profit sharing plans and in the other we were dealing with pension plans. There are actuarial considerations applicable to pension plans that do not apply to deferred profit sharing plans because in the case of pension plans you have contributions by employers and employees. In the case of deferred profit sharing plans you have contributions made by employers. So you have a different situation altogether, Mr. Chairman. The hon. member can read the language of this clause quite clearly, I am sure, and see what is required in the way of decision, in the way of supervision on the part of the minister. The language of the clause is quite clear in the duties it lays upon the minister and you may be sure those duties will be discharged.

Mr. Pickersgill: Mr. Chairman, after this lecture to the opposition—and we have had a good many from the minister about how wrong it is for us to repeat things that it seems to be very difficult for the minister to understand—may I say that the minister's idea of an answer in this house, which is all right under the rules on the orders of the day, of course, but is a very different thing when we are in committee, is to say "I answered that", and his original answer is usually to read the explanatory note or perhaps half of it.

I did not rise to comment on what the minister said this time so much as on what he said last time. His expression was, "Wouldn't we look bright?" Well, it would be pretty hard for them to look bright at any time in this year, I am telling you, and that is what the public is coming to see. He said, "Wouldn't we look bright if we had our plans ready to carry out this law when it is passed?"

Mr. Fleming (Eglinton): That is not what I said.

Mr. Pickersgill: I suggest that the trouble with this government, as I have said before, is that when they pass a law they have no idea how to administer it. The thing lies around for months and even years without anything being done about it because they do not think these things out in detail in advance. I can tell the minister that I was around here in the days at the end of the war—

Mr. Lambert: The great I am.

Mr. Pickersgill: —when the economy of this country was being transferred from a wartime to a peacetime economy and when Mr. Ilsley, Mr. Howe, Mr. Claxton, the hon. member for Essex East and the hon. member for Laurier were piloting legislation through this house that gave the country the years of full employment we had up to 1957. When those things were happening we knew what we were going to do about the laws after they were passed. We did not start erecting an administration after the law had been passed.

I say that for the minister to say that he does not even know who is going to administer this, that he supposes they will get some civil servants and he supposes these civil servants will conduct some kind of supervision, and he does not know how extensive it will be, is to say that they would look bright if they knew. I think they would look bright if they knew and, to put it the way my children sometimes put it to me, I suggest it is about time they "smartened up".

Mr. Fleming (Eglinton): Aren't you the bright fellow?

Mr. Bell (Carleton): Your family must say that to you about three times a day.

The Acting Chairman (Mr. McCleave): Shall clause 26 carry?

Mr. Pickersgill: No, we are still on subclause 1. For my part I would be quite prepared to have subclause 1 carried and we could go on now to subclause 2.

The Acting Chairman (Mr. McCleave): Is it agreeable to the committee that we proceed through clause 26 subclause by subclause?

Some hon. Members: No.

Mr. Benidickson: Mr. Chairman, I would suggest—

Mr. Fleming (Eglinton): Surely we can make some progress. Can it not be called a page at a time?

Mr. Benidickson: I think even the minister will agree with this suggestion. We are on subclause 2 of the clause 27, I take it.

Mr. Pickersgill: They have now changed it to 26.

Mr. Benidickson: I know, but I cannot keep up with the amendments.

The Acting Chairman (Mr. McCleave): Order. I take it that it is agreeable that the committee proceed through this clause page by page. It will perhaps make it easier for the committee's deliberations. Shall the section of the clause on page 21 carry?

Mr. Pickersgill: First of all, sir, in paragraph (a) of subclause 2 the plan provides that each payment made by an employer to a trustee in trust for the benefit of employees of that employer or employees of any other employer who are beneficiaries thereunder, is an amount that is the aggregate of amounts each of which is identifiable as a specified amount in respect of an individual employee. That is going to be prescribed as a condition of the plan but is there going to be some kind of continuous audit to see that in fact that provision is carried out? I would think it is very essential to the success of this plan that there should be some kind of audit in some kind of fashion to see that that does happen.

Mr. Fleming (Eglinton): Mr. Chairman, the hon. member has, I think, not grasped the effect of this subsection. This is a term or condition of registration of the plan. The plan must make provision in the terms appearing in subsection (2) before the minister can accept the plan for registration.

Mr. Pickersgill: But having accepted it for registration, is he not going to take any further interest? You can accept a plan for registration and then they can do something else entirely unless there is some kind of supervision from some quarter. What I am asking is, what kind of policing, what kind of auditing is going to be done to see that in fact the plan is carried out, or is none to be done?

Mr. Fleming (Eglinton): If the hon. member will look at page 26, subsection (13)(b) he will see that if any provision of the plan has not been complied with the minister may revoke the registration of the plan as of any date following the date that the plan ceased so to comply or that any provision of the plan was not so complied with, and he shall thereupon give notification of his action by registered mail to a trustee under the plan and to an employer of employees who are beneficiaries under the plan.

Mr. Benidickson: That is perfectly true but we have had long experience with what we call the blue book of registration of pension plans in the Department of National Revenue. I did not read this before; but I come back to the minister's comments in the budget where he was very exuberant. He said:

> There is, however, no governmental supervision to ensure that the assets of other plans are being accumulated at an appropriate rate to meet the future liabilities of those plans.

I know that the minister has said that the same liability does not exist with respect to profit sharing plans unless there is an appropriate deduction in compensation by the employee. I agree. However, I see nothing here to say that perhaps under some of these plans the employee is not going to be obliged to make a contribution and perhaps to buy stock in the corporation with which he is employed or in some of its other enterprises. The minister has complained of laxness over the years and he has introduced a new feature. I approve the new feature but I say that at the time of introduction surely the minister should present us with evidence that he is starting out to guard against the kind of thing that he complained about in connection with the availability of opportunities for old age security for employees. The minister said that there is no individual provision to assure that assets are being accumulated at an appropriate rate to meet future liabilities of these plans.

Mr. Fleming (Eglinton): I repeat what I said earlier, Mr. Chairman, about the difference between deferred profit sharing plans and pension plans. The pension plan involves contributions by employers and employees under a contractual arrangement under which there is an undertaking to pay stipulated amounts on a periodical basis to the employee or pensioner at a particular time. Now that, of course, involves a question of the actuarial soundness of the plan. But in the case of deferred profit sharing plans, there is no contribution by the employee. There is no stipulation as to periodical payments. In this case it is simply a matter of carrying along and making available at the time of retirement the benefit of whatever amounts were paid in and credited to a particular employee. The particular employee will be taking some responsibility in relation to such plans himself. There is no contractual feature there in the sense that there is in a pension plan to give rise to the question of actuarial sufficiency.

Mr. Benidickson: Is the minister suggesting that under no circumstances will there be a profit sharing plan under which the employee makes contributions out of earnings that he could have taken as salary or compensation and that as an alternative he contributed to a profit sharing plan? In other words, is the minister suggesting that these amendments do not contemplate any scheme under which there would be a co-operative contribution,

perhaps on the part of the employer and employee, which would build up the employee's share in the deferred profit sharing plan?

Mr. Fleming (Eglinton): It does not prohibit the employee from contributing but it offers no tax concession in such a case.

(Translation):

Mr. Boulanger: Under the present legislation, the beneficiary of a profit sharing plan is not required to pay income tax on the amounts he receives from the trust company, up to the amount of his own contributions. Nor is he required to pay tax on the capital gains of the trust. Under the amendment to the present act, I understand that these capital gains and contributions will be taxable. I should like to know why, under the amendment, capital gains and employee contributions will be taxable, whereas they were not under the present legislation?

(Text):

Mr. Fleming (Eglinton): I think the hon. member, Mr. Chairman, is on page 27 or a later page, and not page 22.

Mr. Pickersgill: I have one or two more questions concerning page 22. I was troubled by one observation made by the minister who went on to page 26 and said that if this condition that we set out for registration was not fulfilled, the minister could revoke the plan. Well, of course, I had read through the bill and I was aware of that. This was precisely what prompted me to ask the question that the minister seems to find so unintelligent when I ask it. My question was how the minister was going to find out if these conditions were being fulfilled. Does someone have to complain to him or will there, in fact, be some kind of continuous supervision?

There are a lot of detailed stipulations about these plans. I am sure the government is not putting them in there just for fun or in order to fill up the pages of the bill. I am sure the government must think there is some public interest to be served by putting them in here. If there is a public interest to be served by putting them in here, then there is a public interest to be served by seeing that they are fulfilled. I come back again to my question; what means is the government going to take to see that these conditions are fulfilled and are not merely part of a paper plan?

Mr. Fleming (Eglinton): The hon. member is evidently speaking about the conditions on page 22. Those are conditions on which the minister must satisfy himself before he registers the plan. Obviously, he must examine the plan with sufficient care to be able to make the determination that is called for by each of the conditions prescribed in subsection (2).

Mr. Pickersgill: Would the minister tell me why the second condition, (b), is a necesary one? It is not readily apparent.

Mr. Fleming (Eglinton): It would not be a deferred plan if it were possible to borrow benefits out of it by way of a loan. If you allow loans to be made that is the very same thing as a distribution of the profits. The loans could be to the full amount of the employee's share of the profits. There has to be a deferment of the enjoyment of the benefit, Mr. Chairman, if there is a deferment of the tax.

Mr. Pickersgill: The minister seems to have a rather different conception of a loan from the puritanical conception that I was brought up to have. My conception of a loan is something you pay back. It would appear to me that there would be no particular benefit if these employees used the deferred profits that were in this fund. Suppose an employee went to Household Finance and borrowed some money; that would not be regarded as a benefit that ought to be taxable. I should like to know what the reason is. After all, presumably any of these loans would be paid back. There probably is some good reason but the reason the minister gave is certainly not a good reason, unless the loans were not loans but were, in fact, just an indirect way of distributing profits immediately without any intention of recovering them and recovering them with interest.

It does not seem to me on the face of it that there is any more reason for a trustee not to invest this money in loans to employees, if they are good risks and if he can get a good rate of interest, than to invest in the minister's bonds or something else. As I say, there must be a good reason, but certainly it is not the reason given by the minister. I should like to know what it is.

Mr. Fleming (Eglinton): I have given the reason, Mr. Chairman. If the hon. member would read the provisions of the Income Tax Act he would see a good many other cases in this act in which provision is made to the effect that loans are to be treated as though they were a distribution and taxed as though they were payments out, to guard against cases where the provisions of the act would be avoided by people who take money out and call it a loan in the hope of evading tax on payments which, if they were called anything else but a loan, would become taxable as income. There are various provisions to that effect in the act.

Mr. Pickersgill: The minister accuses me of not understanding the Income Tax Act, and in doing so he is quite right. I am not a careful student of the Income Tax Act. I thought I should like to take a sort of elementary course this evening. I think the minister cannot complain that my questions are not to the point. I never heard before about such provisions in connection with loans. I have once or twice had an overdraft at the bank, but I have never had to pay income tax on it. It is just possible that I might, at some time or other, have borrowed money from an employer, though mostly my employer has been the government of Canada or an impecunious university and they were not in a position to lend. This information that the Income Tax Act is studded with cases where loans are treated as income on which you have to pay a tax is news to me. I should like the minister to show me several examples because they may throw light on this situation.

Mr. Fleming (Eglinton): I do not think there is time in which to give the hon. member all the education he needs on this subject tonight. However, I ask that we stick to the clause under consideration. Perhaps then we could make a little progress. We have not passed anything now for about two hours.

Mr. Pickersgill: We have not passed anything for the very good reason that this is an entirely new proposition—

Mr. Benidickson: The minister does not understand it.

Mr. Pickersgill: —with which the minister is apparently so little familiar that he does not know how to explain it. I do not think that anybody anywhere, including the minister, believes the ridiculous explanation he gave for this provision, namely that if one of these funds lent money to the employee, that would be an indirect way of giving him an income. It is absurd; it is ridiculous. It may be that it is thought that they would not be careful enough. I can think of reasons myself, but I am not sponsoring this legislation. It is not my duty to explain it to the minister. I am a member of the opposition. As an opposition we have a duty to see to it that, as far as we can do so, silly, unnecessary or ill-conceived legislation or legislation that is not understood by the sponsor is not passed by this House of Commons. It seems to me that a plan of this sort is a good way in which to invest. After all, we think of credit unions which are not perhaps in many ways so very different from this. They exist for the very purpose of lending money to their members. Most of them have a very good record of collections. I would think that the other persons participating in one of these deferred profit sharing plans would make it fairly unpleasant for any one employee who took money out on a loan and did not pay back the loan. I would have thought that on balance that this would be a fairly good way to invest the money, namely in loans to members. However, as I say, there must be some good reason for this provision but it is certainly not the one given by the minister. If the minister just does not know what it is, perhaps I have laboured this point enough and I might go on and ask him about the next one.

Section 79C, subsection 2(c) reads as follows:

> (c) the plan provides that no part of the funds of the trust governed by the plan may be invested in notes, bonds, debentures or similar obligations of
> (i) an employer by whom payments are made in trust to a trustee under the plan for the benefit of beneficiaries thereunder, or
> (ii) a corporation with whom that employee does not deal at arm's length;

Will the minister explain what public or other interest is served by this particular stipulation?

Mr. Fleming (Eglinton): I think the purpose of this provision is quite obvious to all concerned. It is a question of solvency. It is a question of the direction of these moneys to the proper purpose. This plan is largely created by the employer through his contributions on behalf of the employee. That is the reason why this step is taken to prevent the funds of the plan from being used by the employer in his own business or in a business that is associated with his business.

Mr. Benidickson: I am speaking on subsection 2, and there are a number of subsections here. I felt the minister had not properly answered my colleague the hon. member for Bonavista-Twillingate on an earlier question which related to loans. To bring something down to simple terms, if I were reading paragraph (e) of subsection 2 I would think it relates to loans. I would think it perhaps relates to a requirement by a person who may have all his assets in one of these deferred profit sharing plan schemes. He may have been so keen on participating that he does not even own his own home. He may have been a renter all his life. Everything may have gone into it. I have heard about one or two such people who have participated very successfully in the deferred profit sharing plan of their employer but to the extent that they have no current assets; they own practically nothing except perhaps a bit of furniture in their houses. Eventually they hope to share in the progress of the business in which they have been

employed. Under paragraph (e) it is stated that this sole savings plan of the individual would not be available to him in the case of an emergency when he wanted to borrow some money and when he was in dire straits. I cannot think of anyone who was more eloquent in describing straits of this kind than was the Minister of Finance when again, on budget night, he referred to the extraordinary medical expenses which some of our people unfortunately are obliged to meet. He referred to a single motor accident. I quote from page 6661 of *Hansard*. As found there he stated as follows:

A single motor accident, for example, may cause a taxpayer more extraordinary medical expense in one year—

The Acting Chairman (Mr. McCleave): Order. I shall have to ask the hon. member for Kenora-Rainy River how he relates this quotation to the material set forth on page 22 of this bill.

Mr. Benidickson: Mr. Chairman, I thought the minister had been so eloquent that I would use his words in order to indicate that a person having devoted all his resources and savings to one form of security at the time of retirement, namely that under a deferred profit sharing plan, might have no assets except his assets in the profit sharing plan. I am referring to paragraph (e) where it states that the minister would not accept for registration such plan if an individual in those dire straits felt obliged in any way to assign or surrender in whole or in part his assets and interest in this lifelong plan of savings through the profit sharing plan. That is why I referred to the catastrophe that could occur. I thought the minister on budget night had dealt with the matter very well when he said that today even one automobile accident might put a person who had not made other savings provisions into a position where he was in very dire straits.

Before we pass it, I ask what is the necessity for paragraph (e). In other words, this is a form of individual asset that has been accumulated over the years. In my illustration I take it that the man, if he went to his banker, could not point to anything except the fact that, all through his life, he had been a devoted servant to his company and that in consequence, in accordance with a plan they had with their employees, this company had provided for him a deferred profit sharing scheme. He needed money desperately. He had nothing. As a matter of fact, he may have been injured and in consequence may have had to terminate his employment. The question I ask is this. Why would he not be able to take recourse to the only asset he has, and perhaps a very consequential one, which had been accumulated for him, and by his own design, in co-operation with his employer over the years? But it says here he could not suggest anybody who would lend him capital funds in this emergency—the kind of money he would need, say, for a temporary emergency.

Mr. Fleming (Eglinton): Deferment of tax is a valuable benefit and it is associated with the deferment of payment. If you are going to allow benefits to be enjoyed during the period you are going to defeat the whole purpose of the relationship between deferment of benefit and deferment of tax.

Mr. Pickersgill: With regard to paragraph (f) I have no particular query. It seems to me to be a sensible provision. As to paragraph (g) it is, of course, just the usual provision by the government to make as many regulations as possible which it had not thought of when the legislation was before the house. As far as subsection 2 is concerned, I should like to be able to say I am satisfied with the minister's explanation, but I think after the minister's total failure to give any explanation it is perhaps not much use for us to proceed further with it.

The Acting Chairman (Mr. McCleave): Shall page 22 carry?

Some hon. Members: Carried.

The Acting Chairman (Mr. McCleave): Shall page 23 carry?

Mr. Pickersgill: We are going a little fast.

Mr. Fleming (Eglinton): Too fast for the obstructionists.

Mr. Pickersgill: Subsection 3 contains one of the points about which my hon. friend from Drummond-Arthabaska wished to ask.

The Acting Chairman (Mr. McCleave): This is on page 23. I suggest the hon. member should address his questions to the Chair.

(Translation):

Mr. Boulanger: Mr. Chairman, a moment ago I asked a question of the minister. I do not know whether he is ready to answer it now, or whether he wants me to put it to him again. In any case, here is my question: Under the present act, the beneficiary under a profit sharing plan is exempted from taxation tax—

Mr. Martineau: Taxation tax?

Mr. Boulanger: Income tax, if you prefer.

Mr. Martineau: His income tax.

Mr. Denis: You should read your speeches on aid to universities instead of laughing at others.

Mr. Boulanger: Mr. Chairman, I was saying that the beneficiary under a profit sharing plan did not have to pay tax on the amounts received from the trustee or the trust company up to the total of his contributions, on the capital gains of the trust.

Under the new act, those contributions and the capital gains of the trust will be taxable. So, I ask the minister why he has amended the act in this way.

(Text):

Mr. Fleming (Eglinton): I think the clause the hon. member is looking for is subsection (6). No tax is payable under this part by a trust on the taxable income of the trust for the period during which the trust was governed by a deferred profit sharing plan.

Mr. Benidickson: I confess I did not completely follow the question which my hon. friend asked in French, but long before this debate I had noted a question I wished to ask the minister with respect to subclause 3. In what circumstances would there be capital gains prior to registration of a plan of this kind? Would the plan not be set up, and does not this amending bill contemplate that a corporation, say, would immediately indicate its intention to register in this way? Would there be much capital gain or loss in a matter of days involved prior to this decision or within a few days after this decision before the letter actually reached the department? What is the important date —the date of signifying intention? Is that information by the Department of National Revenue? Is it from that date that capital gains and losses become effective in so far as this clause is concerned?

Mr. Fleming (Eglinton): The hon. member began with subsection 3 and has moved to subsection 4. Subsection 4 defines the registration date. On looking at subsection 3 it must be obvious to all hon. members that there are employees profit sharing plans in existence. These are not going to be accepted for registration under subsection 3 unless all the capital gains which have been made by the trust governed by the plan before the date of application for registration have been allocated by the trustee under the plan to the employees or other beneficiaries.

Mr. Benidickson: I thank the minister for that answer which was a helpful one.

There are some important companies, not many, which already have profit sharing plans, which have not had the advantage of the employer being able to deduct from corporation tax a maximum of $1,500 in respect to each employee. The minister is simply requiring that any plan which has gone on up to now without the benefit of this tax concession must bring its capital gains into the fund up to date. Is that the point?

Mr. Fleming (Eglinton): I can repeat what I said. It is all set out in subsection 3. The minister will not accept for registration any plan unless all the capital gains made prior to the date of application have been allocated by the trustees to the employees and other beneficiaries under the plan.

Mr. Benidickson: There have not been many of these, but some are of some consequence. Perhaps the Simpsons-Sears plan is important in the light of this legislation. Does the minister agree?

Mr. Fleming (Eglinton): Any plan of the kind is important to those concerned.

Mr. Matheson: This amendment represents the hope of the government that there will be a lot of new people going into this type of program. Is that correct?

Mr. Fleming (Eglinton): The plan offers considerable benefits and is obviously based on the view that this is good social legislation and should be encouraged.

Mr. Matheson: Is it the hope of the department that there will be literature available to the public with respect to the administration of this plan? It appears to me, as an average small town lawyer, that this is extremely complex for people to understand unless there is some accompanying literature to guide them. Is there any literature at the moment with respect to this?

Mr. Fleming (Eglinton): There is no literature drawn up yet. We are simply dealing with the bill.

The Acting Chairman (Mr. McCleave): Shall page 23 carry?

Mr. Pickersgill: It is 10.30.

An hon. Member: Pure obstruction. Another filibuster.

Progress reported.

BUSINESS OF THE HOUSE

Mr. Pickersgill: May I ask the leader of the house what the business will be tomorrow?

Mr. Churchill: It appears that we shall carry on with the business on which we were engaged today, and the other items of legislation which I announced on Saturday. If there should be any change in that program I shall let the opposition parties know in good time before the house opens.

It being two minutes after 10.30 o'clock, the house adjourned, without question put, pursuant to special order.

ANSWER TO QUESTION

The following answer, deposited with the Clerk of the house, is printed in the official report of debates pursuant to standing order 39:

OPERATING COSTS AND REVENUES, CUSTOMS AND IMMIGRATION OFFICES, POINT ROBERTS AND BOUNDARY BAY

Question No. 279—**Mr. McLennan:**

Question

1. What is the total cost of operating the customs and immigration offices at Point Roberts and Boundary Bay including salaries and upkeep during a fiscal year?

2. What is the total revenue collected for the same period?

Answer by: **Hon. J. W. Monteith (Minister of National Health and Welfare):**

1. Total expenditure for 1960-61: Boundary Bay, $36,123.03.

No information is available regarding Point Roberts since it is the United States office opposite Boundary Bay.

2. Total revenue collected for 1960-61: Boundary Bay, $36,425.03.

HOUSE OF COMMONS

Tuesday, July 11, 1961

The house met at 11 a.m.

COMMONWEALTH RELATIONS

NIGERIA—ANNOUNCEMENT OF AERIAL MAPPING PROJECT

Hon. Howard C. Green (Secretary of State for External Affairs): Mr. Speaker, I have a short statement to make concerning Canada's special commonwealth African aid program.

The house will be interested to know that agreement has been reached for an aerial mapping project to be undertaken in Nigeria as a part of our assistance program. This project, which is the first Canadian capital project in Nigeria since that country attained independence, will include an aerial survey and topographical mapping of approximately 28,000 square miles. It is expected that the maps which will result from this project will greatly facilitate the economic development of Nigeria. The cost of the entire project is estimated at $1,350,000. It will be undertaken by a Canadian company over a period of two or three years, subject to the appropriation of the necessary funds by parliament.

Hon. Paul Martin (Essex East): Mr. Speaker, I simply want to say that when the minister of labour of Nigeria was here the other day we expressed our warm admiration for his country, and indication then was given of our interest in trying to assist that country in ways now covered by the announcement made by the minister.

Mr. Hazen Argue (Assiniboia): Mr. Speaker, this is the kind of announcement that receives the wholehearted support of the Canadian people. In particular, I think any assistance by Canada to the developing nations in Africa is most welcome, is most desirable and is in our mutual interest. Our only criticism in the past has been that Canada should raise its sights and do more in this regard.

FINANCE

ALLEGED SECRET USE OF EXCHANGE CONTROL FUND

On the orders of the day:

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, I should like to ask the Minister of Finance whether he will tell the house why he chose to keep the House of Commons in ignorance until June of this year concerning a change in policy affecting the use of the exchange fund to affect the value of the Canadian dollar, which he secretly put into effect last December.

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, I do not think there were any questions asked about this matter in the meantime. There was a modification of the policy, not an extensive or far reaching modification but a modification. I think if anyone had chosen to ask a question and the opposition had been on its toes, for instance, this information would have been forthcoming in reply to any questions. The position of the exchange control fund is published as at the end of each month. There is no secrecy attending that.

In addition, Mr. Speaker, I say this information now comes to light not by reason of any questions asked in the house but by another breach of confidence by the man who is the governor of the agent of the government in these matters. This is a shocking breach of confidence by a man who pretends to stand on principle and to be defending principle.

Mr. Pearson: Mr. Speaker, is the minister not aware that when this matter was brought up in the house he gave the house an assurance that the exchange fund was being used to level off fluctuations in the rate of exchange but not to affect the rate itself?

Mr. Fleming (Eglinton): That was the policy that was observed, Mr. Speaker, as I have indicated to the house in reply to any question there has been on this subject. I would not wish the house to be misled by what has been said elsewhere into thinking that there was some far reaching or extensive departure from the policy that had been followed. It was a very modest modification of the formula that had been observed up until that time. I emphasize that fact—a very modest modification, not the impression that has been created elsewhere on the subject.

Mr. Pearson: Would the minister tell the house whether there is any relation between the use of the fund in this way and his description of the reduction of the dollar by a significant discount?

Mr. Fleming (Eglinton): Mr. Speaker, I should like to answer the hon. gentleman's question clearly if I fully apprehend it. What he has asked me about is, I take it, something that occurred after December 20 and

prior to June 20. I have been asked questions and I have answered questions as to what is in our minds in relation to a significant discount at any particular time depending upon Canada's total economic circumstances. That has been made very clear, Mr. Speaker. If I have not fully apprehended the hon. gentleman's question, I will be glad to enlarge further.

Mr. Erhart Regier (Burnaby-Coquitlam): Mr. Speaker, I should like to ask the minister another supplementary question. The minister mentioned a breach of confidence. Does the minister consider it a breach of confidence that he revealed to the house that in—

Mr. Speaker: Order. I think the hon. member is now presenting an argument in the form of a question. There have been two supplementaries on a matter which has been debated at great length in the house, and I would think it should not be allowed to go on to the point where it becomes another debate.

INTERNATIONAL MONETARY FUND—ALLEGED VIOLATION OF AGREEMENT BY CANADA

On the orders of the day:

Mr. Erhart Regier (Burnaby-Coquitlam): Mr. Speaker, I should like to ask the Minister of Finance whether he is in a position to give a denial or otherwise to an allegation found in a Canadian Press dispatch in this morning's *Globe and Mail* to the effect that Canada is guilty of having violated our agreement under the international monetary fund, in that we did not hold prior consultation with the executives of the fund before the bringing down of the budget.

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, Canada is quite prepared to defend her action in the light of the articles of the international monetary fund. I made that matter very clear previously. Allegations emanating from another source suggesting that this action on Canada's part was in violation of the articles of the international monetary fund we reject as unfounded and improper.

TRANS-CANADA AIR LINES

REQUEST FOR INVESTIGATION INTO LABOUR DISPUTE

On the orders of the day:

Mr. Hazen Argue (Assiniboia): I have a question for the Minister of Labour, Mr. Speaker. Has the minister received a telegram from Mr. E. P. O'Neal, secretary treasurer of the British Columbia federation of labour, requesting a full and thorough investigation by the federal government into all aspects of T.C.A.'s conduct relative to the current contract dispute, in which he states that T.C.A.'s actions are a direct violation of the principles of the Industrial Relations and Disputes Investigation Act? Has the minister undertaken the investigation which has been requested?

Hon. Michael Starr (Minister of Labour): Mr. Speaker, I can best answer that question by reading the telegram which I sent in reply to Mr. O'Neal. It reads:

> Retel seventh concerning dispute affecting flight attendants employed by T.C.A. Every effort being made to obtain settlement of dispute before strike deadline set for July 21. Complaint concerning company actions made by representative C.A.L.F.A.A. on May 28 and at my request statement in that regard subsequently made by T.C.A. which also issued statement to employees in attempt to clarify any misunderstanding that might have arisen. To date have had no further complaint from C.A.L.F.A.A. in this regard and would assume that it is considered more constructive action to direct efforts toward settlement of dispute relating to wages and working conditions.

BRIDGES

FORT WILLIAM—REQUEST FOR CONSIDERATION OF CONSTRUCTION

On the orders of the day:

Mr. Hubert Badanai (Fort William): Mr. Speaker, I have a question for the Minister of Public Works. My question arises out of a resolution passed by the Fort William city council urging the government to give consideration to the construction of a bridge across the Kaministikwia river as an extension of Eighth avenue to the city road to provide access to highway No. 61. Has the minister received this request from the city of Fort William, and, if so, is he in a position to say that consideration will be given to this project?

Hon. D. J. Walker (Minister of Public Works): Mr. Speaker, I wish to thank the hon. member for giving me notice of his intention to ask this question. I have received the resolution referred to, and I have the answer.

The letter containing the resolution of the city of Fort William concerning a bridge over the Kaministikwia river was received only today. I have not had much opportunity to study the resolution as such. However, I have in the past examined the request for a bridge over this river, which would appear to be a link in the road system of the city and province. I stress those latter words. As such, it did not appear to be a responsibility of the federal Department of Public Works.

The hon. member raised a question on this matter during discussion of the estimates

of my department on June 15, as reported at page 6392 of *Hansard* of that date. He suggested that a future extension of the terminal might require such a bridge. Our present plan for the lakehead is extensive, as the hon. member mentioned, and can be enlarged two or three times if necessary without affecting the proposed bridge. Our traffic connections to the seaway terminal will be quite adequate in view of the large overpass now under construction which will connect the terminal directly to the main highway arteries. The answer, therefore, is no; we do not intend to build a bridge.

FISHERIES

NOVA SCOTIA—REQUEST FOR EXTENSION OF LOBSTER FISHING SEASON

On the orders of the day:

Mr. Robert Muir (Cape Breton North and Victoria): Mr. Speaker, I should like to direct a question to the Minister of Fisheries. I refer the minister to my question of July 8. Is the minister now in a position to give any information in reply to requests for an extension of the lobster season in district 6B?

Mr. R. S. MacLellan (Inverness-Richmond): Mr. Speaker, before the minister replies to that question may I ask him at the same time to report on the request for an extension of the season in district 6A?

Hon. J. A. MacLean (Minister of Fisheries): Mr. Speaker, on Saturday last I said I hoped to be in a position to make a report today. I am now able to say that up to July 6 the catch in lobster district 6B was about 90 per cent of the average for the last three years. At that date there were still nine days of fishing remaining and catches were heavy. It is expected that by July 15 at least an average catch will have been harvested. In lobster district 6A the catch up to and including July 6 was about 86 per cent of the average for the last two years. With nine days remaining from that date and with catches heavy, it is anticipated that this district also will have at least an average catch. Under the circumstances no extension of the season in these two districts can be justified. I might add that requests for extensions which were received some time ago were based on the assumption that the catches in these districts would be much below normal.

INDUSTRY

GASOLINE—REPORTED INCREASE IN PRICE

On the orders of the day:

Mr. Alan Macnaughton (Mount Royal): Mr. Speaker, I should like to address a question to the Minister of Finance. Has the attention of the minister been directed to the announcement by Imperial Oil Limited and Texaco Canada Limited, appearing on the front page of the Montreal *Gazette* today, to the effect that they have boosted the price of gasoline by 1 cent per gallon throughout greater Montreal, the Hull area and western Quebec? Has the minister any comment to make thereon?

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, I have not seen the article or advertisement or whatever it may be in question.

Mr. Macnaughton: It was an announcement on the front page of the Montreal *Gazette* today.

[*Later:*]

Mr. Fleming (Eglinton): Mr. Speaker, the hon. member for Mount Royal has sent over to me the article in this morning's *Gazette* which was the basis of his earlier question. I have now had an opportunity to read it. I draw attention to the fact that this article indicates that two companies have announced an increase of 1 cent per gallon in the price of gasoline in local areas, greater Montreal, Hull and western Quebec, and that there had been a similar increase announced in Ontario.

Attention is drawn in this article to the fact that this is an outcome of the price wars that have prevailed hitherto, and it is described in the report as a correction of a situation arising out of price wars. I do not think it has any significance as far as parliament is concerned. I do not know whether it has any significance with regard to the policies in the province of Quebec.

Mr. Chevrier: It is related to the budget.

Mr. Fleming (Eglinton): Now we have the missing link; the hon. member for Laurier has said it is related to the budget. It is quite obvious that no person who takes this article at its face value and applies an honest judgment to it could by any stretch of the imagination think it had anything to do with the budget, because it says itself:

> An Imperial Oil spokesman said price wars in Quebec and Ontario the last three years had driven down the price to what the company felt was an "unsatisfactory level" and that the increase was aimed at correcting the situation.

So it is quite obvious, Mr. Speaker, that anyone who tries to connect this with the budget is not only drawing a long bow but is resorting to his distorted imagination.

Hon. Lionel Chevrier (Laurier): Mr. Speaker, may I ask a supplementary question of the minister and ask him how it is, then, that the

price of certain commodities in Canada has already increased; for instance, the price of bread—

Some hon. Members: Oh, oh.

Mr. Chevrier: —which it has been stated is directly related to the budget, as this item is directly related to the budget.

Mr. Speaker: Order. I think the hon. member should not attempt to renew the budget debate on orders of the day.

Mr. Fleming (Eglinton): With respect, the hon. member has not contented himself with asking a question; he has put a statement on the record. With respect, Mr. Speaker, I think I should be entitled to say this briefly about the situation—

Mr. Speaker: If the minister wishes to comment briefly upon the price of a loaf of bread I will allow him to do so.

Mr. Pickersgill: Let them eat cake.

Mr. Fleming (Eglinton): Mr. Speaker, the hon. member has said there has been an increase. What there was in fact was a suggestion that there might be an increase. I have already drawn attention to the fact that the increase in the world price of wheat, from which Canadian wheat producers do derive some benefit after all, would not account for more than one eighth or one ninth of a cent per 24-ounce loaf of bread. That is the molehill out of which the hon. member for Laurier is trying to construct a mountain in his own imagination.

Mr. G. J. McIlraith (Ottawa West): Mr. Speaker, might I ask the Minister of Finance if he is aware that the increase in the price of flour since the budget was delivered is greater, on the quantity of flour used by each of the major bakeries, than the total—

Mr. Speaker: Order. If the hon. member completes his question the minister will wish to reply. I heard all this discussion in the budget debate, and it does not seem to me there is any urgency about anything that is now being said.

Mr. Chevrier: Where there no price increases in the budget?

Mr. McIlraith: You will have observed, Mr. Speaker, that my question was seeking information, and it did not contain argument.

Mr. Speaker: I did observe that, but I was afraid the debate would be continued by hon. members.

Mr. McIlraith: Mr. Speaker, the question is in order. The answer may be out of order. I think the time to rule it out of order is when the answer is given.

[Mr. Chevrier.]

Mr. Fleming (Eglinton): Mr. Speaker, I would love to answer that question. I would just like to say that if the price of bread or flour has been increased in the manner indicated by hon. members opposite, it could not be attributed to the budget. I think the western wheat producer will be very glad to see an increase in the world price of wheat.

Mr. McIlraith: Mr. Speaker, in view of the answer, or the statement permitted which was not related to my question, I should like to put my question. It is this. Is the minister aware of the fact that the profits of the major bread companies in Canada last year in each case were less than the amount of the increase in the price of flour they buy?

Mr. Fleming (Eglinton): No. Mr. Speaker, I have no knowledge of what the hon. gentleman refers to as a fact. I would wish to examine that very carefully before I regarded this statement on his part as any justification for associating any reputed increase in the price of this product with the budget, because it is quite clear that hon. members opposite are simply trying to make a whipping boy out of the budget for something for which the budget is in no way responsible.

Mr. Speaker: Order.

Mr. Chevrier: We rely on the facts.

Mr. Fleming (Eglinton): I will not come to you for instruction on facts.

Mr. Chevrier: You have been doing pretty badly.

Mr. Frank Howard (Skeena): Mr. Speaker, I should like to direct a supplementary question to the Minister of Justice. I wonder whether the minister can tell the house whether the combines investigation branch will investigate the announcement of the Imperial Oil Company increasing the retail price of gasoline, and consider whether such an increase would be a contravention of the resale price maintenance provisions of the combines act.

Hon. E. D. Fulton (Minister of Justice): Mr. Speaker, the director of the combines restrictive trade practices commission is aware of this announcement, and will take any necessary action.

CANADIAN NATIONAL RAILWAYS

INQUIRY AS TO APPOINTMENT OF CHAIRMAN AND DIRECTORS

On the orders of the day:

Hon. Lionel Chevrier (Laurier): Mr. Speaker, may I direct a question to the Prime Minister and ask him whether the vacancies

on the board of directors of the C.N.R. have been filled, and whether the chairman of the board has been appointed.

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, the answer is no.

(Translation):

LABOUR CONDITIONS

DORVAL AIRPORT—AWARDING OF CONTRACT TO U.S. FIRM

On the orders of the day:

Mr. J. P. Deschatelets (Maisonneuve-Rosemont): Mr. Speaker, I should like to put a question to the Minister of Transport. Is the minister aware that several hundred employees will be laid off at Dorval as a result of the granting of a lubrication service contract to an American firm?

Could the minister give us some explanation on this matter?

Hon. Leon Balcer (Minister of Transport): That is the first time I have heard of it, Mr. Speaker. I will have inquiries made by my departmental officials.

PUBLIC SERVICE

PAID HOLIDAYS FOR PART TIME EMPLOYEES

On the orders of the day:

Hon. Noel Dorion (Secretary of State): Mr. Speaker, I should like to supply some information in reply to the questions which were directed to me recently concerning the advisability of granting leave with pay to part time employees. Generally speaking, the government—and this includes the civil service commission—has followed the policy of granting regular leave only to full time civil servants. A thorough review of that policy is now being made. The new policy we are now considering would be aimed at granting leave to all employees on the basis of their period of employment. When the civil service commission has completed its study of the matter, the house will be informed of the way in which this principle would apply.

(Text):

ARTS, LETTERS AND SCIENCES

"LADY CHATTERLEY'S LOVER"—REPORTED WITHDRAWAL FROM SALE

On the orders of the day:

Mr. D. M. Fisher (Port Arthur): Mr. Speaker, I should like to ask the Minister of Justice a question with regard to statements that the book "Lady Chatterley's Lover" has been withdrawn from sale by publishers. I should like to ask the minister whether his department has given any advice to Canadian publishers to the effect that this book should be removed from sale, or any advice to the customs department that no more copies should be allowed into Canada.

Hon. E. D. Fulton (Minister of Justice): Mr. Speaker, I cannot speak from personal knowledge because I have not asked my officials, but I feel quite certain that my department has given no such advice.

GRAIN

INQUIRY AS TO POLICY ON DELIVERIES TO FEED MILLS

On the orders of the day:

Mr. Hazen Argue (Assiniboia): Mr. Speaker, I should like to direct a question to the right hon. Prime Minister. In view of the fact that the new crop year is just a few weeks away, and the government has stated there would be a review of the policy of the wheat board in relation to the delivery of grain to feed mills, has any consideration been given to this policy, and can the Prime Minister say whether grain deliveries to feed mills within the designated areas will begin the first of this crop year and will be brought under delivery quotas?

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, naturally I wish to look into the implications of that question and get the relative information.

EXTERNAL AFFAIRS

INQUIRY AS TO EXTENSION OF FISHING LIMIT

On the orders of the day:

Mr. Frank Howard (Skeena): Mr. Speaker, before orders of the day are called I should like to remind the Secretary of State for External Affairs that on July 5, 1961 the hon. member for Trinity-Conception directed the following question to the Minister of Fisheries:

> Can the minister say whether active negotiations are being carried on at the present time with the nations which are fishing off the east coast of Canada to extend the fishery limit to twelve miles?

At that time the Minister of Fisheries said he would bring the matter to the attention of his colleague. I wonder whether the Secretary of State for External Affairs is now in a position to answer that question?

Hon. Howard C. Green (Secretary of State for External Affairs): Mr. Speaker, as members of the house will recall, Canada made intensive efforts both before and during the 1960 conference on the law of the sea to bring about international agreement on the breadth of the territorial sea and contiguous

zone. The failure of the conference has not, however, meant the abandonment of our interest or our efforts in this field. Canada has continued, along with other like minded countries, to seek an answer to these questions which will afford adequate protection to our fishing interests and at the same time contribute toward an international solution of this problem.

Because of the confidential nature of these developments I am not at liberty to disclose the solution which Canada is pursuing. I can assure the members of the house, however, that no efforts are being spared in our attempt to bring about a resolution of this problem. With respect to the particular question asked, the proposal we have in mind would apply equally to both Canada's east and west coasts.

Mr. Howard: Mr. Speaker, I should like to ask a supplementary question. I wonder whether the government would give consideration to the adoption of Bill No. C-96, which stands in my name on the order paper, to provide a solution in this regard?

Mr. Argue: Hear, hear.

Mr. Green: Mr. Speaker, I realize that the hon. member for Skeena is an authority on divorce, but I doubt very much whether he is an authority on the law of the sea, and I should have to take a very clear look at the bill before I decide to adopt it.

Mr. Argue: That is a pretty cheap answer.

Some hon. Members: Oh, oh.

Mr. Howard: Mr. Speaker, as a fellow British Columbian I am sure the minister wil agree that each of us has an interest in all sorts of fields.

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, may I ask whether the government is considering initiating negotiations for an international agreement to cover those countries which support the twelve mile zone?

Mr. Green: Mr. Speaker, I am afraid I cannot go any further than the statement I have already made. It would not be helpful if I were to make a disclosure along the lines of the question asked by the Leader of the Opposition.

INCOME TAX ACT

The house resumed from Monday, July 10, consideration in committee of Bill No. C-120, to amend the Income Tax Act—Mr. Fleming (Eglinton)—Mr. Flynn in the chair.

[Mr. Green.]

On clause 27.

The Chairman: When the committee rose last night we were considering the subclauses listed on page 23 of the bill. Has the consideration of this portion been completed?

On subclause 3.

Mr. Pickersgill: Mr. Chairman, I wonder whether you could perhaps suggest to hon. members that we should be allowed to hear ourselves think.

Subclause 3 agreed to.

On subclause 4.

Mr. Pickersgill: There does not appear to be anything in subclause 3 that would call for any particular explanation beyond what has already been given to my friend the hon. member for Drummond-Arthabaska last evening. I wonder whether the minister could tell us what point is involved in subclause 4.

Mr. Fleming (Eglinton): Mr. Chairman, the tax advantages accorded to such a plan depend upon registration. Therefore they run from the date of registration, and that is why this subclause has been included.

Mr. Pickersgill: Mr. Chairman, that answer is not very illuminating, if I may say so. The language of the subclause says:

> Where a profit sharing plan is accepted by the minister for registration as a deferred profit sharing plan, the plan shall be deemed to have become registered as a deferred profit sharing plan
> (a) on the date the application for registration of the plan was made, or
> (b) where in the application for registration a later date is specified as the date upon which the plan is to commence as a deferred profit sharing plan, on that date.

Does that mean that if an application is not considered for a considerable period of time, as might very well be the case while an investigation was being carried on, it would in fact be considered to be in force from the very date on which the application was received by the Minister of National Revenue?

Mr. Fleming (Eglinton): Yes, Mr. Chairman, unless the application indicated that the plan was to come into effect at some date later than the date of application.

Subclause 4 agreed to.

On subclause 5.

Mr. Pickersgill: Mr. Chairman, the explanation to subclause 5 does not leap to the eye. No doubt the minister can explain it very simply.

Mr. Fleming (Eglinton): Mr. Chairman, I should have thought this was plain. This clause states that for a period during which

a plan is a deferred profit sharing plan, the plan shall be deemed, for the purposes of the act, not to be an employees' profit sharing plan. There is a difference between an employees' profit sharing plan and a deferred profit sharing plan. The definitions of this clause under consideration are included in subclause 1.

Subclause 5 agreed to.

On subclause 6.

Mr. Pickersgill: Mr. Chairman, perhaps the minister ought to give us some explanation in respect to paragraph (b) of subclause 6.

Mr. Fleming (Eglinton): Perhaps I should add to my last observation that employees' profit sharing plans are defined in section 79, subsection 1 of the act.

Mr. Pickersgill: I see; that is not in this bill.

Mr. Fleming (Eglinton): There is a definition in this bill of profit sharing plans as well as a definition of deferred profit sharing plan, but there is a definition in the act now in respect to employees' profit sharing plans.

Mr. Pickersgill: Mr. Chairman, I must confess that this did puzzle me a little bit and, of course, it is for the reason the minister gave to the committee last night, that I do not have that familiarity with the act that he has. It did seem to me that they were both employees' profit sharing plans but one was deferred. I was a little puzzled by the language. I can see that one is an immediate profit sharing plan while the other is a deferred one, if I might put it that way. Perhaps "immediate" would not be the right word to use. Perhaps it is an annual disbursement profit sharing plan or something of that sort; is that correct?

Mr. Fleming (Eglinton): No, not necessarily. If the hon. member will have regard to the section of the act he will readily see the difference. Here we are dealing with the principle that to derive the tax advantages that this clause accords to deferred profit sharing plans there must be proof to the minister that the plan comes within the definition of a deferred profit sharing plan.

Mr. Benidickson: Subclause (7)(b) contains a reference, I take it, to a pension plan, and the maximum that can be deducted by an employer would be the amount of the pension and the deferred profit sharing. How long has the maximum been set at $1,500?

Mr. Fleming (Eglinton): I am told since 1954.

Mr. Pickersgill: My hon. friend from Kenora-Rainy River got up before I had completed the question I wanted to ask about this deferred profit sharing plan and the employees' profit sharing plan. In his answer the minister rather gave the impression, and the language in subclause 5 does give the impression, that a deferred profit sharing plan is not an employees' profit sharing plan; that is, my understanding is that a deferred profit sharing plan is a plan for profit sharing by employees only. Is that not correct?

Mr. Fleming (Eglinton): Yes, employees in the broad sense of the word. It might of course include officers of the company.

Mr. Pickersgill: I think the minister will see where my difficulty lies, in that I had not read the definition in the act itself. I think the language is not very fortunate, because here we are told a deferred profit sharing plan shall be deemed not to be an employees' profit sharing plan, but a profit sharing plan is an employees' profit sharing plan. It does seem to me there ought to be a little more clarity in the definition to draw a distinction between a deferred profit sharing plan and an employees' profit sharing plan. It seems to me that you need another word that is the antithesis of "deferred" in there, because both plans relate only to employees. Does the minister not think there might be defective draftsmanship there?

Mr. Fleming (Eglinton): No, sir.

Mr. Pickersgill: Would the minister give consideration to the possibility that there might be, and there might be an occasion for misunderstanding, and perhaps have it reviewed further?

Mr. Fleming (Eglinton): Mr. Chairman, I do not find any lack of clarity in this provision that the hon. gentleman sees.

Subclause agreed to.

On subclause 8.

Mr. Pickersgill: I have asked the minister whether he would say something about the 90 per cent figure in paragraph 6.

Mr. Fleming (Eglinton): Well, Mr. Chairman, I did refer to that last evening in reviewing the clause and pointing out the exemption that exists. I drew attention particularly to the difference between the terms of this measure and the terms of Bill C-84 which was introduced last year. I said the present bill adds a requirement that the trust for a deferred profit sharing plan must receive 90 per cent of its income from sources in Canada. I also pointed out this is in conformity with the proposals that were advanced in the budget speech of December 20 and became law following that date.

Mr. Pickersgill: This is, of course, one of the measures that is calculated by the government, I suppose—perhaps not to direct; that is far too strong a word—but to suggest to Canadians who have savings plans of one kind or another that it would be desirable for them to invest those savings in Canada. That is a position that I do not quarrel with, a position that Mr. Coyne, of course, has been taking for a long time, and that the government appeared to accept from him in the baby budget.

Mr. Fleming (Eglinton): The government did not accept it from Mr. Coyne in the supplementary budget or anywhere else.

Mr. Pickersgill: I know the minister hates to admit that Mr. Coyne was ever of any assistance to him, but we have observed, sir, that with respect to practically every idea that the minister has produced in the last seven or eight months, we have now found their source.

Mr. Fleming (Eglinton): It was not Mr. Coyne.

Mr. Pickersgill: We will let the public judge that and they are making a judgment, I might add; but that perhaps, sir, is slightly irrelevant to the discussion here. I may say that personally I think it is desirable, notwithstanding the fact that this government proclaims that it is a great free enterprise government, that where these tax incentives and tax advantages are given they should be used in order to encourage, to provide incentives for people to invest in their own country. The clause certainly commends itself to me as I would imagine it does to most other members of the house; but it did seem to me, sir, that perhaps the government was hiding its light under a bushel, and hiding the source of its light under a bushel.

Mr. Benidickson: Mr. Chairman, in the submission of the Canadian chamber of commerce to the minister in April, 1961 they reported to him that they had examined last year's Bill C-84, and the executive council went on record as endorsing the postponement of tax on members of deferred profit sharing plans until such times as payments were actually received. In the submission reference is made to the three year average formula provided in section 36 of the Income Tax Act as an appropriate means of determining the amount of tax. Now, is that commendation provided for in this legislation to set up the new section 79 (c) for deferred profit sharing plans? Is there in this bill the equivalent of what the chamber of commerce commended when they referred to section 36 and the three year average formula?

[Mr. Fleming (Eglinton).]

Mr. Fleming (Eglinton): Mr. Chairman, if the hon. member will look back at clause 16 of this bill I think he will find the answer to his question. There cannot be an unqualified answer to the question he posed. If the payments are derived from the fund at the time of retirement in accordance with terms of a registered deferred profit sharing plan, then they will qualify under section 36 of the act; but if they should be withdrawn before that time for any reason, then they would not qualify under section 36 of the act. I am speaking of withdrawals before retirement.

Mr. Pickersgill: Can the minister give us just a word of explanation on subclause 8?

Mr. Fleming (Eglinton): The gist of it, Mr. Chairman, is completely set forth in the explanatory note. Where you have two or more taxpayers who are not dealing at arm's length—for instance, they are associated companies and they have had arrangements between them in relation to deferred profit sharing plans—and you may have the same person being an officer of the two associated companies, this provision is to make it quite clear that only one of the taxpayers, only one of those employers, is entitled to claim the deduction on account of the contribution made in respect of that particular person.

Mr. Benidickson: Does this clause apply only to employers?

Mr. Fleming (Eglinton): Yes, sir.

Subclause agreed to.

On subclause 9.

Mr. Pickersgill: The minister might give us an explanation of this subclause.

Mr. Fleming (Eglinton): Mr. Chairman, I will be glad to give an explanation, but in this case you have a short clause and the whole pith and substance of the clause has been stated in the explanatory note. I can read the note to you, but I do not think I can improve on the note.

Subclause agreed to.

On subclause 10.

Mr. Pickersgill: I think paragraph 10 is an amplification of paragraph 9, and for the benefit of some of us who are not quite as good at arithmetic as the minister perhaps he might give a brief explanation of it.

Mr. Fleming (Eglinton): This clause will take account of the change that will probably be brought about in various plans following the adoption of this measure. It is quite obvious that various plans will now seek to qualify as deferred profit sharing plans under the act in order to obtain the tax advantages

provided under this legislation. This clause is designed to look at what may happen in relation to some existing plans which must undergo certain changes in order to qualify as deferred profit sharing plans for registration under the act. That is the background against which this provision is written, and this applies to the beneficiary, the employee who may have been contributing under a plan himself. What is to become now of the contributions he has made into a plan if he is to withdraw them? What is to be the position of the withdrawals?

Mr. Benidickson: Upon which under the law in the past he has paid tax.

Mr. Fleming (Eglinton): Yes. This clause deals with that situation and, as indicated, the beneficiary, the employee, will be allowed to receive tax free an amount equal to the aggregate of the amounts that he was required to include in computing income in previous years by virtue of an allocation made to him under the employee profit sharing plan but which he has not actually received previously. In the second place, he will also be allowed to receive tax free the return of all his own contributions which he did not previously receive and the net capital gains made by the trust and allocated to him when the plan was an employees' profit sharing plan.

Mr. McMillan: I take it, then, that there is no tax paid on capital gains in respect of any of these funds?

Mr. Fleming (Eglinton): Only on the capital gains made after the plan has qualified.

Mr. McMillan: And no credit is given for capital loss.

Mr. Pickersgill: I think the minister perhaps used a word inadvertently. He referred to contributions made by an employee prior to the coming into force. I presume he meant contributions made by the employer in respect of an employee; because these profit sharing plans, the minister told us last night, do not have any employee contributions.

Mr. Fleming (Eglinton): On such a plan you might have contributions by employees also. A deferred profit sharing plan under the new provisions does not take account of contributions by an employee but among existing plans that have not qualified for tax benefit you might have had plans where the employee made a contribution and, of course, received no tax deduction.

Mr. Pickersgill: I am afraid I may be very obtuse but I do not see how that could happen. How could the employee contribute to a profit sharing plan? Surely the profits are made by the employer.

Mr. Fleming (Eglinton): You could have plans that were a combination of profit sharing plans and pension plans. There are all kinds of varieties of these plans up to the present time, but this will not qualify the definition being written into the bill.

Mr. Pickersgill: In other words, this relates not merely to profit sharing plans but also to a kind of mixed arrangement where there might be a combination of a pension plan and a profit sharing plan?

Mr. Fleming (Eglinton): It would more likely be a savings plan than a pension plan so far as the employee is concerned.

Mr. Pickersgill: But once one of these is converted into a deferred profit sharing plan there could be no more employee contribution to it in order to qualify under this law.

Mr. Fleming (Eglinton): There could be a plan where the employee is making contributions, but there would be no tax advantage to him in consequence of doing so.

Mr. Pickersgill: The minister has raised a point there, or perhaps I raised it and the minister has enlarged on it a little. Would the Minister of National Revenue accept for registration a mixed plan that was partly a deferred profit sharing plan and partly a savings plan? It would not appear to come within the categories that we considered on page 22 at a length to which the minister rather took exception last night. It seems to me that if you had such a mixed plan the attribution of capital gains, for example, and perhaps even the attribution of the shares of the various participants would be made very much more difficult. In other words, I think we ought to know whether these plans have to be strictly deferred profit sharing plans or if they can also have a savings element and other elements added to them without being disqualified under the legislation.

Mr. Fleming (Eglinton): The hon. member will find the answer to his question in subclause 1(b) of this clause, the definition of a profit sharing plan. The concluding words beginning in line 15 are "whether or not payments are also made to the trustee by the employees".

Mr. Pickersgill: Perhaps the minister could translate that into layman's language.

Mr. Fleming (Eglinton): I will be glad to translate the whole bill, but it is surely not too much to ask hon. members to contemplate the use of these words and their meaning.

Surely this means very clearly that a plan that qualifies as a profit sharing plan in positive terms because it has all the ingredients that the statute prescribes for the deferred profit sharing plan does not cease thereby to be a profit sharing plan because it also includes other provisions, such as contributions by the employees; but there is no tax advantage accruing to anyone in respect of the contributions made by the employees.

Subclause agreed to.

Subclause 11 agreed to.

On subclause 12.

Mr. Benidickson: Just what is envisaged here? What type of appropriation by the employer is being forbidden here from the point of view of tax benefit? Has it reference to use of the funds for the business itself?

Mr. Fleming (Eglinton): It is to stop abuse of the fund by the employer.

Mr. Benidickson: The fund has to be quite separate from the operations of the business?

Mr. Fleming (Eglinton): That is the intention, that the fund shall not be permitted to be abused by the employer or used as a cloak for his own operations.

Mr. McMillan: Is there any control over any securities that might be held in such a fund? For instance, could the fund be made up of common stock in a company? In the case of some of these funds in the United States I believe that common stock of the company is held as security.

Mr. Fleming (Eglinton): We had that last night, Mr. Chairman. If the hon. member will look back at subclause 2(c) he will find that the plan must not provide that any part of the funds in the trust governed by the plan may be invested in notes, bonds, debentures, or similar obligations of (1) an employer by whom payments are made in trust to a trustee under the plan for the benefit of beneficiaries thereunder, or (2) a corporation with whom that employer does not deal at arm's length.

Mr. Pickersgill: In other words it is perfectly clear that under no circumstances will one of these plans be recognized if any part of the funds in it is used in any fashion as capital or as a loan to the company that has made the profits. Perhaps the minister could explain that. That is what it seems to me to be.

Mr. Fleming (Eglinton): He can invest in shares of the company.

[Mr. Fleming (Eglinton).]

Mr. Pickersgill: Could the whole amount be invested in shares of the company?

Mr. Fleming (Eglinton): Yes, Mr. Chairman. There is no limit on the shareholdings of the company.

Mr. Pickersgill: I wish to pursue that a little further. I understood from what the minister said that these funds could not be invested in any way in the company.

Mr. Fleming (Eglinton): The reference is to notes, bonds, debentures or similar obligations. Capital stock is not an obligation.

Mr. Pickersgill: I quite appreciate that, but that raises this question. Why should there be this distinct prohibition on fixed interest obligations and things of that sort? Why should it be competent to invest in something that may or may not produce a profit?

Mr. Fleming (Eglinton): A great many of these plans are designed to encourage the employees to acquire a share of the stock ownership of the company that is the employer.

Mr. Pickersgill: What fear is there of having them invest in the other obligations of the company? Is this a treasury provision? What does the treasury fear may happen?

Mr. Fleming (Eglinton): We were on this subject last night, Mr. Chairman. It is in kind with various other provisions of the act. If such provisions were not written into the act here and elsewhere it would be possible for a taxpayer who has obtained a tax advantage under given circumstances to get his money back by the appearance of a loan. We dealt with this subject last evening. It is the same situation, and the same reason applies.

Mr. Pickersgill: It would appear to me to be equally easy, if the company had an authorized capital which had not all been subscribed, for the fund to subscribe to the additional stock and the company thereby to get back the money just as effectively and indeed more effectively, because there would be no obligation to pay any interest on it. That would appear to me to be as easy or easier than would be the case with a loan or bonds or debentures. To my simple mind there does not appear to be much valid reason in what the minister said about getting back the money. There may be some other reason, as indeed I am sure there must be. I am sure this was not included simply to make the bill more complicated.

What precisely is the concern? When all is said and done I assume that the company,

unless it went broke and defaulted, would have to pay back this amount and would have to pay interest in the meantime. There does not seem to be any possible loss to the treasury because of this provision. It would appear to me that it must be included in order, in some way, to protect the funds. If it is included to avoid a loss to the treasury I wish the minister would explain how a loss to the treasury could occur.

Mr. Fleming (Eglinton): I have endeavoured to do that, Mr. Chairman. I think the hon. member does not appreciate the difference between the acquisition of stock in a company which carries with it a share of ownership in the company and the distribution or recovery by the company of money through the issuance of what would appear to be debentures, notes or bonds thus recovering the benefit of money that has been contributed to the fund by the employer and for which he has received a tax deduction. This is fully understood by the business community.

Mr. Pickersgill: Well, Mr. Chairman, no doubt it is understood by the business community but I am a member of parliament, just like everyone else in this chamber.

Mr. Drysdale: Not quite like anyone else in this chamber.

Mr. Pickersgill: The mere fact that it is understood by the business community does not justify the failure of the minister to give a comprehensive reason. I put this question to the minister. Let us suppose that company A which has one of these deferred profit sharing plans borrows $10,000 from the Bank of Montreal at the same rate of interest as company B, which borrows a similar sum from the trustee of the profit sharing plan. Is not the relationship of both those loans to the treasury precisely the same? What tax advantage would company B receive through borrowing from the trustee over what company A would receive as a result of borrowing from the Bank of Montreal at the same rate of interest? If that were explained to me I think I would see the point, but at the moment I fail to see that the source of funds makes any difference as far as the treasury is concerned.

Mr. Fleming (Eglinton): It makes a great deal of difference if you are opening the door to all kinds of transactions under which the employer is simply recovering his money and handing over what may be no more than a piece of paper, a note. This would open the door to all kinds of devices that could defeat the purposes of the legislation.

Mr. Pickersgill: As far as I can make out, what the minister is now saying is that this has nothing at all to do with revenue and nothing to do with the treasury. This represents an attempt to protect these funds from abuse, to protect the participants in the funds from unscrupulous employers who might borrow the money, pay no interest on it and never pay it back. Surely that would be a felony. It does not seem to me that if the employer borrows some money and pays the same rate of interest he would pay through the Bank of Montreal, there can be any possible difference between the two transactions except that you might say the employer is himself both the lender and the borrower, which is perhaps not a desirable situation to have from the point of view of the solvency of the fund. But from the point of view of the treasury, which the minister implied was the reason for this, I cannot get through my head what conceivable difference there would be in the two sets of circumstances. It seems to me we have not received an adequate explanation.

Subclause agreed to.

On subclause 13.

Mr. Pickersgill: Mr. Chairman, before this subclause passes I feel the minister should give us—

Mr. Fleming (Eglinton): Mr. Chairman, it is perfectly obvious to any hon. member who will read this subclause that it deals with the circumstances under which the minister may revoke the registration of a deferred profit sharing plan. It sets out the circumstances under which he may do so.

Mr. Pickersgill: Now that the minister has anticipated what he thought would be my question, Mr. Chairman, I shall put to him the question I wished to have him answer. Even I can read the word "revocation" and even I know what it means. This subclause raises the question which as yet has not been answered, as to how the minister is going to find out when revocation should take place. This is a great vacuum, if I may express it in that way, in this whole scheme.

Provisions are laid down for the registration of these schemes and provision is made for revoking them if the conditions are not fulfilled, but no evidence has been given to us relating to policing and no provision appears to have been made for any form of policing of the schemes. That seems to me to be a serious lack and imperfection in the whole scheme when we are embarking on a savings plan of this kind. It is true, as the minister has said, that these are not employee savings, but this represents a scheme whereby the

government in future is going to permit profit sharing, which is now a current annual thing, to be deferred to create a property and estate which the employee may enjoy in his old age. If that is to be done under conditions laid down by this parliament, because many people are not able to protect themselves very well in these matters we should know precisely how these schemes are going to be policed and how effective that policing will be.

Mr. Fleming (Eglinton): The statute does not put any limitations in the way in which information may come to the minister on which he may see fit to act to revoke the registration of a plan. As to what is to be involved in the detailed administration, there is really nothing I can usefully add to what I said last night. We spent considerable time on this matter last evening, and I discussed this subclause in relation to other subclauses bearing on the same subject.

Mr. Pickersgill: I recognize at once, Mr. Chairman, that what the minister says is quite true. However, I had hoped that after reflecting on this overnight the minister would come to the conclusion that the information he gave us last night was inadequate because the bill itself was inadequate, and that steps ought to be taken to improve the bill so as to provide for this supervision. We spend a good deal of the taxpayers' money with regard to insurance companies; or perhaps it is not the taxpayers' money because possibly a levy is made on the insurance companies for the purpose. However, we make a real effort to see that insurance companies in this country are well run.

The minister in his budget told us that he is now going to try to see that pension funds are better run. Here we are starting a new savings scheme on which a great many simple people will depend for their old age. Surely at the very start it would be prudent, wise and foresighted to make adequate provision for the administration and policing of the scheme. It seems to me that is something to which further consideration should be given.

Mr. Macdonnell: May I ask the hon. member a question?

Mr. Pickersgill: Yes.

Mr. Macdonnell: I have listened with great interest to this discussion. It seems to me that the situation is clear. This is something as to which in its early stage the companies concerned are in touch with the taxation department. Their statements come every year. They pay taxes every year. Surely the officials who are presently engaged in this administration have the most intimate knowledge of the companies financing in all their details. Certainly if the minister had come along and had announced a great new department being set up, with dozens of people in it, I think we would all have been a little bit critical. I think we would have said "Why are you doing that? You have many competent people. Why do you not build this thing up as it comes?" I do not think anyone would deny that the taxation department takes an interest in the affairs of various companies. I have never heard that questioned. I can see no reason to believe that this situation, as it develops, will not come automatically and inevitably to the attention of the present competent officials and those who will be added as necessity demands.

Mr. Pickersgill: The hon. member for Greenwood described his intervention as a question. In a way it was a question and I will attempt to answer it. As he almost always is, I think he was exceedingly reasonable in what he said. I think it would have commended itself to me completely if the Minister of Finance himself had not raised a query in our minds about trustee pension funds in his budget speech. But for the very precise reason that he did that, he raised in everyone's mind the question whether the Department of National Revenue was equipped at the present time or perhaps had the authority at the present time to do this very thing.

As my friend the hon. member for Kenora-Rainy River put it so well last night, it is precisely because of the question that the minister himself, with all his authority and all his knowledge, raised in his own budget speech with respect to trustee pension funds that we have been alerted to this problem. We perhaps would never have thought of raising this question ourselves; as the minister is so fond of telling us, we are such an inefficient opposition, and we do not think of these things ourselves. We perhaps would never have thought of it if the minister had not put the idea in our minds in his budget speech with reference to another form of deferred benefit for which there is an immediate tax abatement. It is precisely for that reason, namely that the minister himself has suggested that there is a deficiency in our existing machinery in respect of a very similar thing, that we feel we should not allow that kind of situation to grow up.

I quite agree with the hon. member for Greenwood. Indeed, I doubt whether there is in this house any other hon. member, since Mr. Thatcher went to another place, who is as concerned about saving the taxpayers' money as I am, with the possible exception of the hon. member for Greenwood, who I

think shares with me a kind of old-fashioned frugal attitude to life. I certainly do not include the Minister of Finance, who has inflated the expenditures of this country out of all recognition since the days when Mr. Harris administered them frugally up to 1957. If Mr. Harris had still been here I would have included him in that select category. But perhaps this semi-biographical material is not very relevant.

Mr. Fleming (Eglinton): That is very true.

Mr. Pickersgill: What I am coming back to is this. If this could be done by a very modest improvement in the establishment of the Department of National Revenue; or if the department feels this is not its proper function, as it might, if some arrangement could be made with the superintendent of insurance, who really has much more of this kind of function, to keep an eye on these things, it seems to me that we might avoid a situation which would be regrettable in the future. I make no apology for insisting upon this point.

The Chairman: Shall paragraph 12 carry?

Mr. Benidickson: In connection with this matter of registration may I say this. I recall that some years ago there was some considerable anxiety among officials and ministers as to what responsibility, if any, rested upon the administration simply by the registration of a pension plan. Here we are asking for registration of another form of employees' benefits. If the trustee mismanages that fund we fear registration might involve the government in the same manner as we feared registration might involve the government in some responsibility with the pension plan. What has the minister to say as to the justification for an employee saying, if the fund is mismanaged and the assets are not there when he retires and he complains, "I thought this was a fine fund; it was registered with the government" and who feels that the government is to blame for not having had adequate supervision? I know we discussed this matter with respect to pension plans, the blue book and so on. I am wondering what the minister has to say as to future liability merely by registration without perhaps more supervision.

Mr. Fleming (Eglinton): I think the hon. member was parliamentary assistant to the minister of finance at the time the statute was amended to strike out the word "approved" as applied to those pension plans and substitute the word "registered". The change emphasized the fact that the government was not to be deemed to be giving approval to the plan or the operations under it. This present clause contemplates registration on the conditions described in the subclause. I do not think I can add anything useful to that. The employee who has important rights at stake here will have to take some responsibility on his own shoulders also for seeing that the fund in which he is interested is properly administered, and to that end assuring that there will be a competent trustee.

The Chairman: Shall clause 13 carry?

Subclause agreed to.

On subclause 14.

Mr. Benidickson: Will the minister explain the effect of clause 14 (b)?

Mr. Fleming (Eglinton): Putting it briefly, Mr. Chairman, this means that where the registration is revoked the tax advantages die with the revocation and remain in that condition as long as the registration is revoked.

Mr. Pickersgill: When one of these plans is revoked is there an attempt made immediately to recover the tax over the years on all the funds that have been put into the plan?

Mr. Fleming (Eglinton): No. The tax advantage that the clause contemplates continues during the period of registration. It begins with the registration; it ends with the revocation of registration. But remember that if the funds are paid out on any other basis than the provisions of the plan, which will contemplate on retirement of the employee, of course the payment out becomes taxable in the hands of the recipient.

Mr. Pickersgill: Could the minister explain very briefly just what would happen after a plan had been revoked? As far as what had happened between the date of registration and the date of revocation was concerned, would the plan still operate, in so far as the treasury was concerned, as though it had not been revoked? In other words would the revocation merely apply to the future and not in any way to the past?

Mr. Fleming (Eglinton): The revocation will take effect from its own date. I dealt with this question, Mr. Chairman. I have pointed out that if one of the grounds, or if a ground, upon which the minister proceeded to withdraw or revoke the registration was payment out in breach of the conditions of the plan upon which it had been admitted to registration, then certainly tax would be collected on the payment out in the hands of the recipients.

Subclause 14 agreed to.

On subclause 15.

Mr. Benidickson: Mr. Chairman, I do not understand the explanatory note, where there is reference to a percentage. The explanatory note says:

—even although it is not expressed as a percentage of profits—

What does the minister have in mind with respect to "percentage of profits"?

Mr. Fleming (Eglinton): Mr. Chairman, this is a relieving provision. It is designed to make clear that the plan does not have to stipulate in advance for a fixed percentage of the profits of the employer being paid over at the end of the year.

Mr. Benidickson: A fixed percentage is really what is involved?

Mr. Fleming (Eglinton): Yes.

Subclause 15 agreed to.

On subclause 16.

Mr. Pickersgill: What precisely is the purpose of this subclause?

Mr. Fleming (Eglinton): Throughout clause 27—as renumbered now, 26—in various places there is the expression "the employee or other beneficiary". This subclause 16 defines the expression "other beneficiary". It says:

—"other beneficiary" shall be construed as meaning any person, other than the employee, to whom any amount is or may become payable by a trustee under the plan—

Mr. Pickersgill: How can that be done?

Mr. Fleming (Eglinton): It might be his widow on his death.

Mr. Pickersgill: I understand that. But there are of course strict provisions, if I remember rightly, against any assignment or any hypothec, or anything of that sort, of any of these funds. So the beneficiary here would only be a beneficiary within the terms of the plan itself; that is to say, at the end of the period of deferment. There could be no beneficiary in the interval, I take it?

Mr. Fleming (Eglinton): It would have to be a beneficiary defined by the plan, and the terms of the plan must all conform to the terms of the clause before us.

Mr. Pickersgill: May I put a hypothetical case to the minister. Is it envisaged that these plans would provide that in the case of the death of an employee, whoever his legal heir was would be a beneficiary and would be able to draw upon the fund once the will had been probated or the estate wound up?

Mr. Fleming (Eglinton): I cannot imagine any plan under which the rights of the employee in the fund would terminate on his death if the payments out to him had not been exhausted as of that date.

Mr. Pickersgill: The minister does not know of any such plan?

Mr. Fleming (Eglinton): I cannot imagine any plan under which the employee's rights under the fund would terminate on death, if the payments out to him had not then exhausted his interest in the fund.

Mr. Pickersgill: There are such plans.

Subclause 16 agreed to.

The Chairman: Shall paragraph 2, clause 27, carry?

Mr. Pickersgill: This is clause 28.

Mr. Benidickson: This is what was amended, is it? This is consequential to the long amendment?

Mr. Fleming (Eglinton): No. I think the hon. member did not hear the chairman. The chairman is putting to us, now that we have adopted subclause 2, clause 27 as amended, renumbered clause 26.

Clause agreed to.

On clause 28.

Mr. Fleming (Eglinton): Mr. Chairman, on clause 28 there is an amendment which hon. members have. I would ask my colleague the Solicitor General to move that amendment to clause 28.

Mr. Browne (St. John's West): I beg to move, Mr. Chairman.

The Chairman: Mr. Browne (St. John's West) moves:

That clause 28 be amended by striking out subclauses 1 and 2 of clause 28 and renumbering subclause 3 of clause 28 as clause 27.

Shall the amendment carry?

Amendment agreed to.

The Chairman: Shall clause 27 carry?

On renumbered clause 27.

Mr. Benidickson: Mr. Chairman, this undistributed income of a corporation is always a complicated matter. I wonder whether for the record the minister would give us a full explanation of the effect of this amendment.

Mr. Fleming (Eglinton): Subclause 3 concerns tax-paid undistributed income. The act provides that corporations meeting certain conditions may elect to pay a 15 per cent tax on undistributed income which they hold on hand. The undistributed income on which this tax is paid becomes tax-paid undistributed income and may be capitalized or made available to shareholders by means of redeemable preferred shares free of personal income tax.

This present amendment, which is admittedly quite technical, provides that the tax-paid undistributed income of a corporation that is wound up may pass to another corporation and continue to be classed as tax-paid undistributed income.

The Chairman: Shall clause 27 as amended carry?

Some hon. Members: Carried.

Mr. Pickersgill: I take it that subclause 3 is struck out?

Mr. Fleming (Eglinton): Yes.

Mr. Pickersgill: That was included in the amendment?

Mr. Fleming (Eglinton): Yes, it is included in the amendment.

The Chairman: Subclause 3 becomes clause 27.

Clause agreed to.

Mr. Fleming (Eglinton): Mr. Chairman, if we have now passed 28, which was renumbered 27, there is an amendment to the succeeding clauses of the bill simply dealing with the numbering. It is that clauses 29 to 39 be renumbered as clauses 28 to 38 respectively. I would ask my colleague the Solicitor General so to move.

Mr. Browne (St. John's West): I so move, Mr. Chairman.

The Chairman: Mr. Browne (St. John's West) moves:

That the bill be amended by renumbering clauses 29 to 39 as clauses 28 to 38 respectively.

Shall the amendment carry?

Amendment agreed to.

The Chairman: We will now proceed to new clause 28.

On new clause 28—*Deductions from income from businesses of associations, etc.*

Mr. Pickersgill: Mr. Chairman, I hope the minister is going to give us some explanation of this clause.

Mr. Fleming (Eglinton): This is clause 29, renumbered 28. This amendment deals with a deduction for drilling and exploration expenses incurred in searching for oil or natural gas. The act at present permits an association, partnership or syndicate formed for the purpose of drilling or exploring for petroleum or natural gas to deduct its drilling and exploration expenses. However, a member of such an association may not deduct his share of these expenses from his income from other sources. This amendment will extend the present concession and permit a taxpayer to apply his share of the expenses from one association or partnership against his income from another association or partnership.

Subclause 2 involves an amendment which deals with bonus payments made to a government for a lease to extract petroleum or natural gas, or for the right to explore for these products. The act at the present time permits—

Mr. Pickersgill: Mr. Chairman, I wonder whether I could make a suggestion to the minister. Would it be more convenient, since the subclauses do not seem to be too clearly related, if we could clear up each one separately and then go on to the next? This might save a lot of time. I should like to ask one question in respect to the first provision. Does this involve a relaxation or a tightening up of the law? I must say this is an aspect of the law—

Mr. Fleming (Eglinton): It is a relieving provision.

Mr. Pickersgill: That is to say it is another concession or tax benefit?

Mr. Fleming (Eglinton): Yes.

Mr. Pickersgill: What is the reason for extending this tax benefit?

Mr. Fleming (Eglinton): I think it is fairness and equity, Mr. Chairman, having regard to the purposes which I have indicated.

Mr. Pickersgill: Well, the minister is suggesting—

Mr. Fleming (Eglinton): We are proposing to extend the concession by permitting an individual taxpayer to apply his share of the expenses in one association or partnership against his income from another association or partnership. So in this respect it is a matter of equity, extending to individuals the kind of treatment that has hitherto been accorded to associations, partnerships or syndicates.

Mr. Pickersgill: Mr. Chairman, what the minister is saying in other words is that the present law is not equitable. Could the minister say when the government discovered that the present law was inequitable, how it discovered that, how this amendment came about, and whether representations have been made?

Mr. Fleming (Eglinton): Mr. Chairman, I should not attempt to pinpoint that for a moment. We receive representations all the time, and these matters are under study at all times.

Mr. Pickersgill: Is this something in respect of which the government received representations a year ago and did not accept them? Was the inequity maintained all last year?

Mr. Fleming (Eglinton): Mr. Chairman, this is a matter that has been discussed from time to time over some period.

Mr. Pickersgill: Mr. Chairman, I have been rather interested in this regard because to a simple mind, what is equitable in 1961 should also have been equitable in 1960. The minister is defending this amendment on the basis of fairness and equity, yet he says he has been receiving representations for several years. I think the minister ought to tell us when it dawned upon him that this was inequitable.

Mr. Fleming (Eglinton): Mr. Chairman, the observations about what was equity in 1960 will equally apply to 1956 or the early part of 1957. These matters are under study and there are representations received from time to time. They are subjected to very careful study, and we are satisfied now that this amendment should be made, and we so recommend to the committee.

Mr. Pickersgill: Will this amendment, apart from being equitable, which is, of course, the first concern of the government—that is, justice as between one taxpayer and another —be productive of any advantage to the national interest? Will it result in any greater investment or any greater expansion, shall we say, or is it merely a matter of being equitable as between taxpayers?

Mr. Fleming (Eglinton): Mr. Chairman, I should expect it to be of particular assistance to individuals who may be interested in drilling and exploration for oil or natural gas. This is a provision which is going to be of assistance to individuals, people of small interests.

Mr. Benidickson: Mr. Chairman, when we have dealt with the amendments to section 83 we shall have legislation in two parts, one with respect to drilling for petroleum or natural gas, and then in the same area of the tax statute we have a comparable concession to those engaged in metal mining. What is the situation at the present time in respect to an individual who enters upon exploration activities in so far as metal mining is concerned?

Mr. Fleming (Eglinton): I am informed that this form of syndicate or association has prevailed in the gas and oil exploration field but has not been used in relation to metal mining. Certainly we have had no representations from anyone interested in metal mining in this regard.

Mr. Pickersgill: Mr. Chairman, we were just dealing with the first subclause. The minister had started to explain the second one, and if no one else has anything to say I should like him to continue his explanation in that regard.

Mr. Fleming (Eglinton): In the second subclause you will see that this amendment deals with bonus payments made to a government for a lease to extract petroleum or natural gas, or the right to explore for these products. The act at present permits a corporation to deduct such expenditures if the property leased is subsequently abandoned as unproductive. This amendment will extend this right of deduction to a successor corporation which has acquired the property of the corporation which originally made the bonus payment.

Mr. Pickersgill: What inspired this particular amendment?

Mr. Fleming (Eglinton): Representations and study.

Mr. Pickersgill: Is this an amendment for the purpose of making the tax more equitable, or is this an incentive to expansion?

Mr. Fleming (Eglinton): This again is a relieving provision which should aid in the development of resources.

Mr. Pickersgill: That is not exactly an answer to my question. I will put each question separately so the minister can explain them separately. Is it felt that this is required because there is some inequity or unfairness in the existing tax structure?

Mr. Fleming (Eglinton): This is recommended to the house, Mr. Chairman, because it is considered fair and because the government has an interest in encouraging people to concern themselves with exploration. It is thought that this will provide an encouragement to that end.

Mr. Pickersgill: In what way will it provide an encouragement? Can the minister explain just what the incentive feature of it is?

Mr. Fleming (Eglinton): Mr. Chairman, I think if the hon. member has attempted to follow what I said he will see that it is quite clear. I will go over it again. I have said that the amendment deals with bonus payments made to a government for a lease to extract petroleum or natural gas or for the right to explore for these products. The act at present permits a corporation to deduct such expenditures if the property leased is subsequently abandoned as unproductive. This amendment will extend this right of deduction to a successor corporation which has acquired the property of the corporation which originally made the bonus payment. There are transactions going on

between corporations in this field, those that originally have undertaken the exploration which proved unproductive, and there are naturally tax implications in every one of these transactions. In this case it is thought it will facilitate exploration if the tax benefit that arises in the case where the outlay has proven to be unproductive is available to the successor corporation.

Mr. Pickersgill: I take it that these bonus payments are payments made to governments other than the federal government, because otherwise there would not seem to be much sense in collecting the bonus payments and then treating them as an expense of doing business.

Mr. Fleming (Eglinton): It depends where it is, whether it is in a province or the territories.

Mr. Pickersgill: Perhaps the minister would explain to me what advantage it would be for the federal government to exact one of these bonus payments if it is going to be given back to the taxpayer, either because he incurred a loss or because he made a gain. In what circumstances could the federal treasury ever get anything out of this?

Mr. Fleming (Eglinton): This is in a competitive area of competitive business. The hon. member talks about the bonus going back if the venture proves unproductive and treats that as the same situation where an area or property proves productive. He is misleading himself there, Mr. Chairman.

Mr. Pickersgill: I am not seeking to—

Mr. Fleming (Eglinton): In the interests of equity there are these government charges. I think you will find them imposed by all provinces in the case of exploration carried on within their provincial boundaries. This is the way in which effort is made not only to raise revenues but also to proceed with some regard for equity in relation to the rights that are given by government to persons interested in exploration. This is dealing with the matter at a later stage; this is dealing with the matter after there has been an outlay and after the bonus has been paid to the government for the lease. Later on, if the property leased has been abandoned as unproductive, there is an advantage today taxwise on the part of the lessee, the lessee being a corporation; it is a very considerable advantage to that lessee to be able to convey that position to a successor corporation. It has the opportunity of conveying its interests to another corporation.

Mr. Benidickson: Have we not always been very loath to permit corporations to merge, one corporation to buy another corporation largely for a tax reason, such as perhaps a tax loss of considerable substance that one company had on its books? Is not this equivalent to encouraging the buying of one company by another company simply because one company is carrying some losses? Is this not the kind of thing that we do not encourage in a normal way, and indeed discourage as between one corporation and another, one corporation with a substantial profit and another with rather heavy losses? One company is merged with the other simply for tax gain. Is this not doing about the same thing?

Mr. Fleming (Eglinton): No, I do not think it is doing the same thing, because this is limited in its application. This applies to the payment made to the government in respect of the lease. I do not think this can be regarded as an inroad on the basic principle of section 83A of the act in that sense.

Mr. Pickersgill: Mr. Chairman, the minister gave what seemed to me to be a very lucid explanation of this provision as it applied to payments made to some other government. I can see quite clearly that the government, say, of the province of Alberta would get the bonus and the taxpayer would be allowed to treat this bonus, I would think quite properly, as one of the expenses of his operation. But what I cannot get through my head is, if the bonus is paid to the federal government and if the taxpayer is going to be allowed to treat that bonus as an expense of doing business, what conceivable purpose there would be in having the bonus in the first place.

Mr. Fleming (Eglinton): Mr. Chairman, when these blocks are put up for tender no one knows whether the property is going to be productive or unproductive, and you may have various competing bids for the opportunity to obtain a lease. This is the bonus payment. Surely nobody is going to suggest there should not be a charge made for that right by way of this so-called bonus payment.

Mr. Pickersgill: Let me put it this way, sir. I can see that where you go to Alberta and bid and Alberta gets some benefit from it, but what conceivable purpose there can be, if the taxpayer knows he is going to be able to treat this as an expense, in having this bonus in relation to the federal government leases I just cannot see, and the minister has not yet made it clear to me.

Mr. Benidickson: He gets the benefit only on the tax, does he not?

The Chairman: Shall subclause 2 carry?

Subclause agreed to.

The Chairman: Shall subclause 3 carry?

Mr. Pickersgill: I think we should have an explanation of this, too.

Mr. Fleming (Eglinton): I would have thought the explanatory note was very clear in providing whatever elucidation is required of this short clause. However, I might say that the amendment in subclause 3 also deals with the deduction for exploration and drilling expenses. The act permits a company engaged in the oil, gas or mining business to deduct exploration and drilling expenses incurred in searching for oil, gas or minerals. The act also permits a company which acquires the property of another company under certain conditions to deduct the drilling and exploration expenses incurred by the former company. However, these provisions do not at present cover the situation where a company acquires a property of its former subsidiary. This amendment is intended to correct this omission.

Mr. Benidickson: This would have exactly the same effect. Suppose we had a mining company that was a failure and on its books it had a very substantial loss. To all intents and purposes, unless there was encouragement from the point of view of tax advantage, we would hear no more about that company; it would disappear and probably surrender its charter. Does not something of this kind simply encourage one profitable mining company to look around for the charter of another company that has to all intents and purposes folded? It takes it over for purposes of tax advantage.

Mr. Fleming (Eglinton): No, Mr. Chairman. I think the hon. member is overlooking what the act now allows. We are simply dealing here with one omission from the general rule that the act provides in this regard now. This is to cover the situation where the company acquires the property of its former subsidiary. That is all it does.

Mr. Benidickson: It may acquire the property, but the property is just a piece of rock and has proven to be a failure.

Mr. Fleming (Eglinton): The hon. member is overlooking the fact, I think, that the act at present permits a company which is engaged in the oil, gas or mining business to deduct exploration or drilling expenses for oil, gas or minerals, and that it also permits a company which acquires the property of another company under certain conditions to deduct the drilling and exploration expenses incurred by the former company. This simply fills a gap or corrects an omission in dealing specifically with the situation where a company acquires the property of its former subsidiary, which has always been a subsidiary.

[The Chairman.]

Subclause agreed to.

The Chairman: Shall subclause 4 carry?

Mr. Pickersgill: I am sure the minister will give us an explanation here.

Mr. Fleming (Eglinton): I think this is very plain. It was set out in the budget resolutions and I referred to it in the budget speech. This amendment extends the right to deduct exploration and drilling expenses to metal fabricating companies.

Mr. Drysdale: Mr. Chairman, I should like to raise a point of order at this time. On two or three occasions today the hon. member for Bonavista-Twillingate has qualified himself by saying "I am a very simple minded individual" or "I have a very simple mind". He has said that he is unable to understand the technical provisions of this very technical statute; yet he is the person who is asking a great majority of the questions and presumably he is representing the Liberal party. It seems to me that we should get some protection from this type of questioning. Surely there is somebody in the Liberal party who would be qualified to ask these necessary technical questions. Of course he has been delegated to keep things going while they are straightening out things in the other house.

Mr. Habel: As the whip of the Liberal party I object very strenuously to the hon. member's remarks and I say he has no right to speak, as he did, from the seat of a Liberal member.

Mr. Drysdale: Mr. Chairman, we are in committee of the whole. It was the hon. member for Bonavista-Twillingate who said "I have a very simple mind". Nobody took issue with that point. I am sure he is in the best position to qualify himself, which he did under those circumstances. I was saying that I hoped there was somebody else in the Liberal party who could perhaps ask some relevant questions on this very technical subject rather than tedious and repetitious questions which are forbidden under our rules.

Mr. Pickersgill: Mr. Chairman, it would appear that I have a question of privilege as a result of this phony and specious point of order or alleged point of order raised by the hon. member for Burnaby-Richmond, who I see has retreated from the advanced post in a progressive and forward looking party which he occupied when he made his intervention.

Mr. Drysdale: You mean the Conservative party.

Mr. Pickersgill: I am not surprised, sir, to find the hon. member for Burnaby-Richmond getting closer and closer to the Liberal party.

Mr. Drysdale: Not clear to your thinking; I can assure you of that.

Mr. Pickersgill: It is obvious even to the simple minded that in doing so he is simply following the public trend as reflected in the Gallup polls and in a great many other indications of the transformation of opinion that is taking place at the present time in the country. I may say that with a little mild Liberal indoctrination I think perhaps the hon. member for Burnaby-Richmond would be admitted on payment of the appropriate membership fee.

Mr. Winch: Now I know he is simple minded.

Mr. Pickersgill: That might give him some faint hope of coming back here again and adding his simple contribution to those of the other simple minded people in this house who represent the ordinary voters of this country, who are entitled to understand our proceedings without having to go through a great deal of technical jargon.

Mr. Winch: Is this not the wrong institution for simple minded persons?

Mr. Pickersgill: The hon. member for Vancouver East has embarrassed me on one of the rare occasions when I have really been embarrassed in this house. I used "simple" in the old fashioned sense—

Mr. McCleave: So did he.

Mr. Pickersgill: —of meaning just the plain and ordinary people who use plain and ordinary horse sense. It does seem to me that if more effort were made to translate our statutes into simple language that simple minded people could understand, it would be a great improvement. I have merely regarded myself as a representative, as I am—

Mr. Drysdale: Of the simple minded.

Mr. Pickersgill: —who has three times been chosen to be the representative of the fishermen and loggers of my constituency, none of whom would pretend to be very learned in the law but most of whom have a good deal more common sense than some hon. members of this house demonstrate on some occasions.

Mr. Drysdale: On the point of order, Mr. Chairman, I want to make clear that I was referring to this particular statute, the Income Tax Act, which is exceedingly technical in nature. I merely mentioned how the hon. member had qualified himself. I had merely hoped that there was somebody in the Liberal party who was capable of dealing with it in a technical way, and the technical aspect was referred to by the hon. member for Kenora-Rainy River.

Mr. Pickersgill: Mr. Chairman, perhaps you might permit me to say that happily we have no keeper in the Liberal party.

Mr. Drysdale: Have you all escaped?

The Chairman: Order. This so-called point of order and so-called question of privilege has, I think, provided a change of tempo which everybody has appreciated, and we can now revert to the bill.

Subclause agreed to.

Subclause 5 agreed to.

On clause 29.

Mr. Pickersgill: Mr. Chairman, perhaps the parliamentary secretary, who sat here so patiently waiting to get a word in edgewise, could oblige us by telling us what clause 29 is all about.

Mr. Bell (Carleton): Mr. Chairman, as the explanatory note indicates, this is consequential solely upon the repeal of section 34. This simply deletes the reference to section 34 from the paragraphs in clause 29.

Mr. McMillan: Are we on clause 29 now?

The Chairman: Renumbered clause 29.

Mr. McMillan: What would be the position of a part owner of a syndicate or partnership that struck oil if he sold out and made a very large profit? Would that be considered a capital gain? So far as income tax is concerned, would he be allowed to deduct any expenditures in connection with exploration? I know that some of these syndicates go on to form a company and the company takes over from the syndicate. What is the procedure in these cases? How are these deductions from income tax made?

Mr. Bell (Carleton): I think the hon. member is referring to the old clause 29 which is now clause 28. I am not too sure that I understood his question relating to that clause, which has already been passed. On a matter as technical as these clauses are, I would certainly be hesitant to give my hon. friend anything approaching a legal opinion. I would be very glad indeed to discuss the whole matter with him and secure for him all the information he requires.

The Chairman: Shall clause 29 carry?

Mr. Pickersgill: Mr. Chairman, I think there was an understandable confusion. You called clause 29 and the hon. member was quite properly looking at the 29 that is in the bill. I am sure the parliamentary secretary does not have the slightest intention of abridging the hon. member's rights—

Mr. Bell (Carleton): No.

Mr. Pickersgill: —because I know the hon. gentleman has been meditating on this question.

Mr. Bell (Carleton): My genial friend from Welland would be the last one whose rights I would seek to abridge in any way.

Mr. McMillan: What clause are we actually on now? I should like to know, because we were just discussing—

The Chairman: Clause 28, formerly clause 29, has been carried, but if the hon. member wishes to pursue this matter I am sure there is no objection. At present we are considering clause 29, formerly clause 30, and it is to be found on page 30.

Mr. Pickersgill: Mr. Chairman, I might make a suggestion that I am sure would be agreeable to the parliamentary secretary, that no other member would ask any further questions but that the hon. member for Welland, because of the misunderstanding, might pursue his point briefly when we come back after lunch. That will perhaps give the two hon. gentlemen an opportunity to confer so that things can be speeded up.

At one o'clock the committee took recess.

AFTER RECESS

The committee resumed at 2.30 p.m.

The Acting Chairman (Mr. McCleave): When the committee rose it was agreed that the hon. member for Welland be permitted to ask questions on old clause 29 which has been renumbered new clause 28.

Mr. McMillan: I was asking about a syndicate that might sell out at a capital gain. I have knowledge of a partnership or syndicate that had rights for the drilling of natural gas within a certain area and they struck gas in the first well, then sold out at a considerable profit. This was quite a common thing at one time in southwestern Ontario.

According to the answer I received, this would be a capital gain and the cost of drilling would not appear in any income tax calculation. My question is, would the purchaser have the right to write off any of these earlier drilling costs? Could he, for instance, split up his costs and show the drilling cost as a separate item, then write it off immediately? I take it that the rest of the holding would be written off at a reduced rate. I wonder if these drilling costs could be written off immediately on purchase.

Mr. Bell (Carleton): The gain to which the hon. gentleman refers may or may not be a capital gain, depending of course upon whether or not the syndicate, association or partnership is engaged generally in business or trade. If it is as the hon. gentleman has suggested, in fact a capital gain, then there would be no deduction from that capital gain for the purposes of section 83A. Such deductions are deductions only from income. I only want to emphasize to the hon. gentleman that in the particular circumstances he describes, I would not wish to be considered as giving a legal opinion that the gain was, in fact, a capital gain.

The Acting Chairman (Mr. McCleave): The Chair takes it that in the absence of further questions from the hon. member for Welland old clause 29, new clause 28, is carried.

Clause agreed to.

New clause 29 agreed to.

On new clause 30.

Mr. Pickersgill: Could the minister give an explanation of this?

Mr. Fleming (Eglinton): The first subclause of old clause 31 concerns reserves which taxpayers may deduct in computing income. The Income Tax Act, in section 85B (1)(d) provides that if a taxpayer has been required to include an amount in income on account of property sold during the year and the proceeds of the sale are not fully receivable within two years, the taxpayer may deduct as a reserve the amount that can reasonably be regarded as a portion of the profits from the sale. The two year rule is intended to leave out a great number of sales where payment is made over a period shorter than two years. It has been the practice when real estate was sold on a deferred payment basis to bring into income annually that proportion of the profit on the transaction that the payments receive in a year bore to the total sales price.

However, this concession to the taxpayer may not be completely provided for under the present law. Moreover, it has become apparent that some provision should be made to cover the method of operation followed by land development companies. These companies, frequently made up of builders, acquire land, subdivide it, instal services and

sell it to builders. The Department of National Revenue takes the position that a sale is made when a lot is transferred to a builder, but the builder may not be able to make payment for several months. It may extend over the year-end of the land company. This means that the land company has to include in income money it has not actually received, and because the term of the payment does not extend more than two years it does not qualify for a reserve under the present provisions of the act. The amendment provides that a reserve may be deducted with respect to sales of land where the proceeds of the sale are not receivable until after the end of the taxation year.

Clause agreed to.

On new clause 31.

Mr. Benidickson: We have a subsection 2 in this clause that hardly relates to subsection 1, as I see it. I take it that there will be an order in council now with respect to policy reserves. Will that be gazetted? Will that be something which will now be standard and known to the people in the insurance business in contrast, perhaps, to the past system where simply the approval of the superintendent of insurance had to be negotiated in the case of each individual company?

Mr. Fleming (Eglinton): The answer to the first part of the question is yes.

Mr. Pickersgill: The minister did not give any general explanation of this clause, but I was particularly interested in the marginal note. I wonder if the minister could throw any light on that.

Mr. Fleming (Eglinton): Mr. Chairman, clause 32, which has been renumbered 31, is consequential upon the reduction in individual and corporation income taxes commencing in 1962. It is intended to prevent taxpayers from receiving a double benefit. It is similar to the amendment described earlier in connection with clauses 17 and 20.

Mr. Pickersgill: The minister has no light to throw on the marginal note?

Mr. Fleming (Eglinton): I do not think the hon. gentleman needs any.

Mr. Pickersgill: Just so that it will be in *Hansard*, may I say that the marginal note is "election". I do not think there is any subject on which the house would be more interested in having some light thrown by the hon. gentleman than the marginal note to this clause.

Clause agreed to.

On new clause 32.

Mr. Herridge: With respect to subclause 2 the explanatory note reads as follows:

(2) This new paragraph provides that expenditures of a capital nature on scientific research in Canada made by a predecessor corporation but not deducted by it shall be available for deduction by a new corporation formed as a result of an amalgamation.

Will the minister inform the committee the reason for this amendment? What representations were made to have this amendment included? It seems to be a rather unusual clause from my point of view.

Mr. Fleming (Eglinton): I do not recall any specific representations on this point. However, this is part of the program that we worked out for giving the utmost encouragement through tax measures for the carrying on of research particularly for industrial purposes.

Mr. Herridge: Does this mean that a corporation that was formerly carrying out research, forming another corporation or company for the purpose of specifically carrying out research, can deduct for tax purposes the money spent in the previous year by the parent corporation.

Mr. Fleming (Eglinton): Not precisely. What we are dealing with here are first of all expenditures of a capital nature on scientific research. We are only dealing with expenditures on research in Canada. That runs through all these provisions. We are dealing here with expenditures of a capital nature made by a corporation, expenditures which had not been deducted by it. If it amalgamates with another corporation this amalgam, the resulting corporation, may deduct those expenditures made on scientific research which had not previously been deducted by the predecessor corporation. I am told that there was a recommendation to this effect from the Canadian Bar Association and the Canadian institute of chartered accountants.

Clause agreed to.

On new clause 33.

Mr. Pickersgill: I think we ought to have an explanation, Mr. Chairman.

Mr. Fleming (Eglinton): Clause 34, renumbered 33, is a relieving provision. The act at present permits a corporation to elect to pay a special 15 per cent tax on an amount of undistributed income which has been matched by dividends paid to shareholders. This amendment will allow a corporation to include in the dividends used for this matching certain dividends it may have been deemed to have paid to shareholders.

Clause agreed to.

On new clause 34.

The Chairman: Shall clause 35, renumbered 34, carry?

Mr. Pickersgill: After an explanation.

Mr. Fleming (Eglinton): This is a relieving provision.

Mr. Pickersgill: Is this to create a situation of fairness and equity, or is this to provide an incentive for expansion?

Mr. Fleming (Eglinton): The amendments to the law following the supplementary budget of December 20 provided that the 15 per cent non-resident withholding tax would in future apply to interest paid to non-residents in a foreign currency. However, it provided an exemption from this tax for obligations incurred prior to December 20, 1960.

This amendment provides that where a taxpayer was paying interest in a foreign currency to a non-resident on an obligation incurred prior to December 20, 1960, and that taxpayer's property is purchased by someone else who assumes all the vendor's obligations, the interest shall continue to be exempt when paid by the purchaser.

Clause agreed to.

On new clause 35.

Mr. Benidickson: This is quite a technical amendment. I think those in the accounting business and otherwise would like to have an explanation on the record.

Mr. Fleming (Eglinton): There are two parts to clause 36, renumbered 35. Subclause 1 contains an amendment which is relieving. It will prevent the double taxation of certain income by providing that a redemption of shares which were deemed to be received as a dividend shall not also be deemed to be subject to the 15 per cent non-resident withholding tax.

Subclause 2 contains an amendment which is intended to close a loophole whereby a non-resident shareholder might arrange to have the dividends to which he is entitled paid to another non-resident who is not a shareholder in order to avoid the 15 per cent non-resident tax.

Clause agreed to.

New clause 36 agreed to.

On new clause 37.

Mr. Pickersgill: Can the minister explain this clause?

Mr. Fleming (Eglinton): This amendment provides that the minister may issue a notice of assessment—that is the Minister of National Revenue—on account of non-resident withholding tax or for an amount that is due as a penalty.

Clause agreed to.

On new clause 38.

Mr. Pickersgill: This is partly on a deferred profit sharing plan. Perhaps the minister ought to just indicate its relationship to the general scheme.

Mr. Fleming (Eglinton): Clause 39, renumbered 38, contains provisions that are consequential upon the provisions already made for deferred profit sharing plans. I think the reasons for them are obvious.

As to subclause 2, I point out that this amendment is in conformity with the amendment made to section 16, provided by clause 5 of the bill. Subclause 3 is consequential upon subclause 4. Subclause 4 extends the meaning of residence. Subclause 5 is, I think, fully explained by the explanatory note in the bill. Subclause 6 deals with residence of a corporation. Subclause 7 is necessary to close a possible loophole in the rules dealing with associated companies.

Clause agreed to.

On clause 40.

Mr. Fleming (Eglinton): There is an amendment to strike out clause 40. I would ask my colleague the Minister of Veterans Affairs to make that motion.

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

Motion agreed to.

Title agreed to.

Bill reported.

The Acting Speaker (Mr. McCleave): When shall the bill be read the third time?

Some hon. Members: Now.

Mr. Pickersgill: Next sitting of the house.

The Acting Speaker (Mr. McCleave): Next sitting of the house.

CANADIAN NATIONAL RAILWAYS

PROVISION FOR CAPITAL EXPENDITURES, ISSUE OF SECURITIES, ETC.

The house resumed, from Saturday July 8, consideration of the motion of Mr. Fleming (Eglinton) for the second reading of Bill No. C-121, to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways system for the period from the 1st day of January, 1961, to the 30th day of June, 1962, and to authorize

the guarantee by Her Majesty of certain securities to be issued by the Canadian National Railway Company.

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, when the house rose at six o'clock on Saturday Your Honour had just drawn my attention to the scope of the bill, and there had been some discussion about a point which I was in the midst of making and which I did not have an opportunity to complete.

The point I was making was this. It is a very simple and a very obvious point, but one about which there seems to be an amazing amount of misunderstanding and confusion, and indeed a very marked change in attitude in the case of one very distinguished person. I refer to the question of who is sovereign in this country.

Lest Your Honour should think I am embarking upon a line of argument that is not germane to the bill, I will deal with that point first. The whole point of the argument I was making following the argument made, without any exception being taken to it, by my hon. friend from Laurier was that since parliament is sovereign in this country, parliament certainly has a right, before granting large sums of money to be expended by a crown corporation, to know who is going to be the head of that corporation and who its directors are going to be. That is the precise objection that we on this side of the house are taking to the government proceeding with this bill without first telling us the answer to that question.

My hon. friend from Laurier on the orders of the day this morning asked the Prime Minister whether the directors and the chairman had yet been appointed as a result of the legislation passed by this house some time ago. I remember very well that the legislation was passed by this house before the famous by-elections, because I made certain predictions about it that I am afraid are not going to be fulfilled quite literally. However, I think they are a fair indication of what is likely to happen in due course with regard to that legislation. I say, as my hon. friend from Laurier has already said, that we as a sovereign parliament are entitled to know who is going to be in charge of this crown corporation, who is going to be spending these millions and millions of dollars, before the taxpayers' money is invested in this fashion. I use the word "invested" because of course these are capital sums with which we are dealing in this bill.

In the days when the present government was not in office and when the right hon. gentleman and some of the other occupants of the treasury benches were over here on this side of the house, this kind of argument in this set of circumstances was very frequently made both inside and outside the house. In order to illustrate the importance of the argument I am making I wish to cite as an authority the Prime Minister himself in the days when he was leader of the opposition. I recognize that was for a very short period, and therefore I have not many citations. In fact I wish to cite only one. I have in my hand a clipping from the Halifax *Chronicle-Herald,* a newspaper that I find very useful for reference. This is a clipping from that newspaper of March 22, 1957, headed:

> Diefenbaker demands reforms—Parliament "puppet of few cabinet ministers".

In an address in Halifax the present Prime Minister appealed for:

> Restoration of the prestige of parliament which today "has become the plaything and puppet of a few cabinet ministers".

I suggest that in respect of the Canadian National Railways that is precisely what has happened. Since last September nine months and eleven days have passed during which this government has declined to decide who should be the regularly appointed chairman of the board and who should be the directors of that railway, the greatest railway in North America. It does seem to me that the government, or a few cabinet ministers are treating parliament in exactly the kind of way to which the right hon. gentleman took exception at the time when he was over here on this side of the house. In other words they are seeking to make parliament the puppet of a few cabinet ministers. We are not entitled to know—we are supposed to vote this money blindly—who these people are who are to manage this railway; who is to be the head of the management of the railway; whether Mr. Gordon is finally to get out of the death cell in which he has found himself ever since last September; whether his exit from it is to be to the executioner's block, or whether he is to get a reprieve.

Mr. Drysdale: He looks pretty lively.

Mr. Pickersgill: As a matter of fact there is many a tiger in a cage that looks pretty lively, but that does not mean he is not still in a cage. If Mr. Gordon—and I did not mean to reflect on him in any way—has perhaps exhibited some of the impatience of a caged tiger upon occasion, who can blame him, after nine months and eleven days of suspended sentence? How, indeed, can any man be expected to discharge great responsibilities when so little confidence is shown in him by those who have the responsibility for his appointment or his dismissal?

I want to make it very clear, as I think I did the other day and as my hon. friend from Laurier did, that we do not question the right of the government to replace Mr. Gordon. That is their right under the law. And we are not suggesting that parliament should usurp the functions of the government; not at all. What we are suggesting is the government should do what it is supposed to do. It should do it when it is supposed to do it, and then account for its conduct to parliament so parliament can make an intelligent judgment. If the government have found someone better than Mr. Gordon to run this railway, let them appoint him. If they cannot find anyone, let them take Mr. Gordon out of this state of suspense and reappoint him. Either course would be a respectable and a responsible course. The course that is being followed is irresponsible. It is bound to lead to bad morale; it cannot help but do so, and it should not be continued.

In this same newspaper clipping I read this:

> Mr. Diefenbaker complained that the prestige of parliament had been dropping because "members were denied information on affairs of the nation".

What we have witnessed in the last few weeks and the last few months—all through this session, as a matter of fact—in the denial of information is something the equal of which cannot be found at any time since confederation. Let me go on with the Prime Minister's words:

> The "shutters were drawn down whenever there was a question not in the best interest of the Liberal party."

That is what he said.

Mr. Drysdale: That is true.

Mr. Pickersgill: Mr. Speaker, I hear a feeble little bleat from behind me saying "That is true".

Mr. Drysdale: True.

Mr. Pickersgill: What is true is that the shutters have been pulled down, bolted and barred by the present government. But they have gone a lot further than that. They now assert that parliament has no right at all to the information.

Mr. Speakman: Who said that, besides yourself?

Mr. Pickersgill: The Prime Minister stated that in this house last Friday. He said the government of Canada was sovereign. His words are in *Hansard* and I can quote them if anybody wishes me to do so.

Mr. Speakman: Quote them.

Mr. Pickersgill: It was the Prime Minister who said there could not be two sovereignties, and one of those sovereignties he described as the government of Canada.

[Mr. Pickersgill.]

Mr. Starr: And the other one?

Mr. Pickersgill: It does not make any difference what the other one was.

Mr. Starr: Yes, it does. The other one was the governor of the Bank of Canada.

Mr. Pickersgill: One of them was described as the government of Canada. These are the ministers who are trying to make puppets of parliament, in the words of the present Prime Minister on a former occasion. Now parliament does not matter at all, it is the government that is sovereign. That is the present doctrine.

An hon. Member: Oh, come now.

Mr. Pickersgill: I should like to remind the hon. member who is interrupting that Hitler too won an election before he established his dictatorship, so the fact that there was a huge majority in 1958 is no excuse for saying that the government and not parliament is sovereign. This is a subversion of our whole conception of responsible government and our whole conception of parliamentary government. This is the doctrine of dictators.

The government say, "We have won the election and the other side have no rights". In that same direction the Prime Minister went further and said, "We are staying". He did not say "We will stay if the people want us"; he simply said "We are staying". His words are right there in *Hansard* to see. Of course we know that has happened. These people have got in office in the past by winning elections and then they have stayed and stayed without any more elections.

An hon. Member: Yes, for 22 years.

Mr. Pickersgill: I say this is a very strange doctrine coming from the right hon. gentleman who in 1955 in this house, during the debate on the Defence Production Act, which was being put on the statute books solely to deal with the emergency of a possible war and only to be used in those circumstances, had this to say, and this is from *Hansard* of June 8 of 1955 as reported at page 4558:

> However, there has been no suggestion on the part of the government that it intends to deviate one whit from the trend that apparently is to be followed, of establishing for ministers of the crown and this government an absolutism.

Those are the words of the present Prime Minister applied to the government of that day in 1955. Those words apply to the Prime Minister today who, when he is asked whether the directors of the Canadian National Railways have been appointed, on a day when the government is coming here theoretically asking us—in fact ordering us—to vote this money, says, "No, you are not entitled to this information". They said it was urgent

to get the bill through so they could appoint the directors and settle Mr. Gordon's fate, yet six weeks afterwards no appointments have been made, no decisions arrived at. Parliament has the right to know these things. As my friend the hon. member for Laurier said the other day, once we in parliament can be got rid of the government can perhaps start leafing through its list of defeated candidates and other supporters of their party to fill up these holes.

An hon. Member: We do not have any defeated candidates.

Mr. Pickersgill: The hon. member says they do not have many defeated candidates, and I suggest they have not got nearly as many as they will have after the next election.

Mr. Speaker: Order. Perhaps if the hon. member did not mention the next election so much there would be less difficulty in keeping the attention of the house.

Mr. Pickersgill: Mr. Speaker, I made reference a few moments ago to trends, and it may be that I am simply following one which exists in the atmosphere around us. I shall endeavour to resist it. This opposition not only has the right but the inescapable duty to resist this tendency toward cabinet dictatorship, this tendency that was epitomized in the words of the Prime Minister when he said that the government of Canada is sovereign. I venture to say that no Prime Minister in the history of this country has ever before uttered those words in the House of Commons.

Mr. Aiken: To which page does the hon. member refer?

Mr. Pickersgill: What is the page reference? I thought hon. gentlemen listened with the greatest of care to their leader's speech, but he will find those words at the bottom of page 7685 of *Hansard,* beginning in the first column and carrying on to the top of the second column. He will find an entirely false antithesis there which I am not going to waste the time of the house in reading. That statement clearly says that the government is sovereign. That statement slipped out. The Prime Minister was speaking his real mind that day with that sincerity which is his most famous characteristic. It was frightening; it was very frightening in a free parliament to hear the Prime Minister of this country say not that this parliament is sovereign and the ministers are its servants, as all his predecessors have said, but that the government is sovereign.

Mr. Aiken: He did not say that at all.

Mr. Pickersgill: Yes, he did.

Mr. Aiken: Read the statement.

Mr. Pickersgill: The other day when I attempted to read it I was precluded from doing so because hon. gentlemen opposite did not want to hear it read.

Mr. Bell (Carleton): Read it now.

Mr. Pickersgill: I shall read it with great pleasure, sir. The statement of the Prime Minister to which I referred as recorded at page 7685 of *Hansard* for July 7, 1961 reads as follows:

> Sir, these letters reveal—

That is to say, certain communications which Mr. Coyne had addressed to the hon. gentleman opposite and which were made public.

> Sir, these letters reveal an attitude which, if accepted by the government, would result in two sovereignties in Canada, the government of Canada and the governor of the Bank of Canada;—

An hon. Member: That is right, but not in that order.

Mr. Pickersgill: Yes, he said the "government of Canada".

An hon. Member: Read on; go ahead and read on.

Mr. Pickersgill: That is all that I am concerned about, sir, because—

Mr. Bell (Carleton): Well, if the hon. gentleman—

Mr. Speaker: Order. Hon. gentlemen must allow the hon. member who has the floor to make his own speech.

Mr. Martin (Essex East): Hear, hear.

Mr. Fleming (Eglinton): And make his own mistakes.

Mr. Bell (Carleton): Is the hon. gentleman not aware that the crown and the two houses of parliament are the government of Canada?

Mr. Pickersgill: I am not aware of that fact. I am aware of the fact that that is a false proposition. The government of Canada is Her Majesty's ministers for the time being, it is not parliament. Of course the hon. member for Carleton, being a real old Tory, would suggest that the crown was sovereign. We do not think the crown is sovereign, we think parliament is sovereign.

Som hon. Members: Hear, hear.

Mr. Pickersgill: This is a false doctrine, but a Tory doctrine, that government is superior to parliament and, in the words of the Prime Minister, parliament is the puppet of a few cabinet ministers. That is something

we thought was dead in this country. However, sir, I should like to come back to the bill.

An hon. Member: It is about time.

Mr. Pickersgill: Well, if the hon. gentlemen—

Mr. Speaker: Order.

Some hon. Members: Oh oh.

Mr. Speaker: Order.

Mr. Pickersgill: Mr. Speaker, I should like to come back to this—

Mr. Bell (Carleton): Does the hon. gentleman think—

Mr. Pickersgill: Perhaps the hon. gentleman can make his speech when I have finished mine. He has been of great assistance to me on previous occasions, but on this occasion I can do without that assistance. I suggest to you, sir, that this parliament, has the right to be told, and we have a duty as the opposition to use our resources in this parliament to find out, who are the individuals who will run this railway before we dispose of vast sums of money, millions of dollars, to unknown persons. Indeed, we should not dispose of these vast sums of money to unknown persons.

There is a second point, Mr. Speaker, which seems to me to be very relevant. That is that the government has responsibility for the management of the railway. The government is not charged with management, but parliament has charged the Canadian National Railways under the statute with management. However, the government has the responsibility for the management. The Minister of Finance has denied that the government has any responsibility in another field, but in this field I do not think even the Minister of Finance would deny that he has the ultimate responsibility to this parliament for the deficit. It is not Mr. Gordon who is responsible; the responsibility lies on the Minister of Finance. The government cannot escape that responsibility. If the government is to discharge that responsibility to this parliament as it should be discharged the government must have management of the railway in which it has confidence, and it must back up that management in the way it should be backed up, or it should get rid of it.

I remember very often Right Hon. Mr. St. Laurent, who had a very different conception of the relationship between the government and parliament and a very different conception of the responsibility of government for agencies under its control, saying in this house that we must either have confidence in the management of the railway or we must get a new management. That is the only proper way to do it, but this government will not do either. As my hon. friend from Laurier said, it expresses no confidence in the management. It refuses. It continues to sit by and listen to the backbenchers abuse Mr. Gordon and attack the management. It expresses no confidence in the management. It is true the Minister of Transport said that he liked Mr. Gordon and he got on very well with him, but he did not say "We have confidence in Mr. Gordon; we think he is the best man for the job, and we are backing him up".

Mr. Ricard: Do you?

Mr. Pickersgill: That is not my affair; it is the government's affair. The government is responsible. Every time anybody in this house suggests that this government should take responsibility for something they reply, "Do you take responsibility for it?" Why, sir, the Prime Minister was in Winnipeg the other day, and according to news reports he is even blaming the Liberals for the drought. They just cannot take responsibility for anything, not even themselves.

The plain fact is, sir, that whatever one may feel about Mr. Gordon, he has been treated in a shocking way by this government, in what my hon. friend from Laurier has described over and over again as a disgraceful way. If they do not believe in Mr. Gordon, if they think he is no good, they do not need to keep him there; they can let him go and do something else. But if they do think he is the best man they should confirm his appointment and give him the necessary prestige and confidence to carry on this tremendous responsibility. It is a tremendous responsibility to run any railway these days, and to run this greatest of all the railways on the North American continent is one of the biggest jobs on this continent, and one of the most difficult. Surely, if we are going to have any kind of management at all, that management has got to be invested with the confidence and backing of the government.

Of course this is just part of a system. As one well known citizen of this country has said, this is just part of that systematic attack on all crown companies which seems to pervade the ranks of hon. gentlemen opposite. I do not say that the members of the government themselves do it directly, but one knows something from long association with politics and long experience in parliament that the backbenchers do not talk the way they do, they do not make the kind of reports they do, if they are discouraged. I do not say they are encouraged.

Mr. Browne (Vancouver-Kingsway): They do not have freedom in the Liberal party to say anything.

Mr. Pickersgill: Then, of course, they start talking about Mr. Gordon being a Liberal appointee. Mr. Gordon's term expired in the autumn of 1957. In the autumn of 1957 this government reappointed him, and they reappointed him quite hastily. Of course they did not have a majority then. Perhaps they were a little more conscious then that parliament was sovereign and not the government, as the Prime Minister now says.

Mr. Churchill: Where did the Prime Minister say that?

Mr. Pickersgill: I read it to the hon. gentleman.

Mr. Churchill: You did not read it. I challenge you to read it.

Mr. Pickersgill: And he may read it himself again as often as he likes. I read to him from *Hansard*.

Mr. Churchill: You just twisted the words.

Mr. Pickersgill: There is no getting around it; the Prime Minister said—

Mr. Bell (Carleton): Ridiculous hypocrisy.

Mr. Pickersgill: —there could not be two sovereignties in this country, the government and the governor of the Bank of Canada.

Mr. Churchill: He said no such thing.

Mr. Bell (Carleton): You twisted it.

Mr. Pickersgill: Hon. gentlemen can try to put it straight if they like.

Mr. Churchill: Mr. Speaker, this is a matter of privilege which affects every member of the House of Commons. The hon. gentleman has purported to read from *Hansard* words which are not in the order in which he read them out. This is an insult to the members of the House of Commons, because at page 7685 of *Hansard* the Prime Minister used these words:

> Sir, these letters reveal an attitude which, if accepted by the government, would result in two sovereignties in Canada, the government of Canada and the governor of the Bank of Canada; but not in that order.

The letters reveal an attitude which, if accepted, would result in two sovereignties in Canada, the government of Canada and the governor of the Bank of Canada; but not in that order. Now I protest, sir, against the statement of the hon. member for Bonavista-Twillingate that the Prime Minister said that the government of Canada was sovereign. That is not there in the record.

Mr. Chevrier: Mr. Speaker,—

Mr. Speaker: Order.

Mr. Chevrier: —I rise on a point of order, if I may.

Mr. Speaker: I do not think there is any need to make a point of it. The hon. member who has the floor is entitled to interpret the words in the sense in which he thinks they will support his argument, and it is open to other hon. members to give them any interpretation they wish. Actually the words have been read by the hon. member for Bonavista-Twillingate and by the Minister of Veterans Affairs, and members can draw their own conclusions as to their meaning. It is not a point of privilege to interpret the meaning of words which have been read to the house. As I follow what the hon. member has said, he is making an argument based on those words but he is not ascribing any words to the Prime Minister which have not been read.

Mr. Fleming (Eglinton): I rise on a question of privilege.

Mr. Chevrier: I rise on a question of privilege, Mr. Speaker. I had the floor a moment ago.

Mr. Speaker: Order. I have just listened to a question of privilege raised by the house leader, and I hope I have disposed of it to the satisfaction of the house. If there is another question of privilege which the hon. member for Laurier and the Minister of Finance wish to raise I will hear them, of course.

Mr. Chevrier: I wanted to reply to the words of the house leader. Your Honour said you had disposed of the point; therefore I am perfectly satisfied to leave it at that. The Minister of Finance wants to put his oar in, too. If that is the case, then I want to continue with my point.

Mr. Speaker: I trust the matter has been disposed of. If hon. members disagree with the interpretation put on the words they will rise and make their own speeches.

Mr. Pickersgill: I thank Your Honour for that, because I am making an argument when I say that these are the words of the Prime Minister, and nowhere in any of Mr. Coyne's letters will these words be found. These words are the Prime Minister's interpretation of Mr. Coyne's letters, and I take the Prime Minister's interpretation of Mr. Coyne's letters to mean that the Prime Minister feels that one of these two is sovereign or he would not have put it that way. I was extremely fair; when I was asked to read the words I read them. I say they betray the real bent of the Prime Minister's mind after four years in office; that the government is sovereign, not parliament.

Mr. Bell (Carleton): This twisting is in the hon. gentleman's mind.

Mr. Pickersgill: Perhaps it was in his mind all along; perhaps even four years ago when he said "parliament, the puppet of a few cabinet ministers", he was looking forward to this day. I repeat, sir, there are two things that are shocking about the situation in which we find ourselves in relation to this present bill. The first is that we cannot find out, we are not told, whether the government has any confidence in the present day to day management of the railway, because that is what it is; and that is destructive of morale. The second point is that the government, which undertook as soon as the legislation was through to appoint the remaining directors and the chairman, has not carried out that undertaking to parliament, and is asking us to pass this legislation without that undertaking having been carried out.

Sir, in order to get the opinion of the house on this question I should like now to move an amendment to the second reading of this bill. I move, seconded by the hon. member for Ottawa West (Mr. McIlraith):

That all the words after "that" be deleted and the following substituted therefor:

"this house declines to give second reading to a bill providing large sums for capital expenditures on the railway system while the house is not possessed of the identity of those, namely, the chairman and members of the board of directors, who will be responsible for the making of such expenditures".

Mr. Speaker: Is the house ready for the question?

Mr. J. F. Browne (Vancouver-Kingsway): Mr. Speaker, the amendment seems to me to be entirely out of order, because the house knows very well who are the chairman and members of the board of directors. They were appointed some time ago and under the statutes of this country are continuing in office. I am sure the house knows very well that Mr. Donald Gordon is president of the C.N.R., and the directors are readily ascertainable by anybody who wants to take the trouble to look up their names.

Mr. Chevrier: Does Your Honour wish to hear argument on this point?

Mr. Speaker: I think it is unnecessary if that is the only objection taken to the amendment. Is the house ready for the question?

Hon. Paul Martin (Essex East): Mr. Speaker, I have listened with considerable interest to the speech just made by the hon. member for Bonavista-Twillingate, and I listened with equal interest to the several statements made on Saturday by some hon. members, notably the hon. member for Laurier. The issue before us at this moment is a simple one. We are being asked to provide very considerable sums of money under this bill which is to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways system for the period from the 1st day of January, 1961, to the 30th day of June, 1962, and to authorize the guarantee by Her Majesty of certain securities to be issued by the Canadian National Railway Company.

The hon. member for Bonavista-Twillingate has just contended that before voting these moneys we should learn from the administration what its intentions are with regard to the president, whoever he shall be, of the Canadian National Railways. We are also asking who are to be appointed to fill certain vacancies on the board of directors of this great national railway system. This is not an unusal request under any circumstances, but in the circumstances that now attend the situation with regard to the direction of this railroad I think our justification for asking for this information is great.

We are reminded that the term of office of the president of Canadian National Railways, Mr. Donald Gordon, expired some nine months ago, and that he has been carrying on, I think one may say, on sufferance during this period without any indication whether or not his term of office is to be extended of whether in fact he is to be reappointed for a fixed term under the statute. The Canadian National Railways is a large operation, the largest railway system in the world, yet for some reason this government refuses to indicate whether it proposes to continue the present president in the direction of this railroad. That is an impossible situation.

There are limits on the prerogatives, even by custom, to which a government can legitimately cling. No government can be forced to announce the appointment of a particular individual unless it has been given ample opportunity to make up its mind. But that cannot be contended in this case, because the definite term of the president expired nine months ago. Is it fair to this railway system, is it fair to this parliament, is it fair to this country that this uncertainty should prevail?

The hon. member for Bovavista-Twillingate says you have asked for certain moneys, and before those moneys are granted we are entitled to know who is going to direct the operations connected with the moneys to be appropriated under this bill. This is a reasonable request. I well remember, during the course of another debate this session, attacks were made on the president of the Canadian National Railways largely by members who sit

behind the treasury benches. The Minister of Transport was finally prevailed upon to come to the defence of an official who serves under him.

It took some pressure to convince the Minister of Transport that it was not fair for a minister to refrain from commenting on attacks that had been made on an official who reports to parliament through him. Finally, after a long and protracted debate, the Minister of Transport manfully acknowledged that as far as he was concerned he had nothing but high commendation for the president of Canadian National Railways. But he qualified his tribute by saying "as far as I am concerned". The hon. gentleman did to an extent meet the tradition that it is always incumbent upon a minister to defend a public official with whom he has official connections, but the minister would not go further than to say "as far as I am concerned".

What we are entitled to know now is what is the regard that this government has for the president of Canadian National Railways? It can express its view as to his competence by giving us some definite indication of what it intends to do by way of reappointment or by way of replacement, but surely we are entitled to have this information. Why has the government not made up its mind, if that is the situation? If it has made up its mind, why should it not tell this house? If it has not made up its mind, then it surely owes to parliament some explanation for this long delay in determining if Mr. Donald Gordon is the kind of man it wishes to see continued as the president of Canadian National Railways.

There is a further principle involved. It is connected with other situations that have nothing to do, of course, with the operation of the railroad. It is that more and more in this country there is a growing feeling, justified or not, that the government is not satisfied with the heads of certain crown corporations, with certain leading public servants.

Mr. Speaker: Order. I question whether the course which the hon. member is following is relevant to this fairly narrow question. The question is the voting of funds for Canadian National Railways and the amendment has placed before the house a very precise reason for not voting those funds, namely, that the house has not been given the names of the chairman and members who will have responsibility for making expenditures. I would think that to discuss the views of the country at large on the government's attitude toward other public servants is not relevant to this issue.

Mr. Martin (Essex East): I cannot quarrel with the position that you take, except that this was not my main argument. I was surely entitled, in commenting upon the substance of what I have to say, to relate my remarks to the general disquiet which I believe exists with regard to the government's treatment of certain public officials of our country. It was only in that context that I had made my observations.

We have been told in another place by one distinguished senator who happens to be the president of the Progressive Conservative party, that the government has intentions with regard to the division of functions at the top of the management of Canadian National Railways. The suggestion has been made that the office of president will be filled by one individual and that he will not continue as chairman of the board. This is a very important announcement to have come from someone who may be close to the administration but has no official functions whatever in so far as the government of Canada is concerned. We are entitled to know whether or not that announcement of policy from that quarter represents what the government really has in mind.

Does the government intend to divide the functions, as was announced by Senator Thorvaldson or was Senator Thorvaldson talking through his hat? Was he talking with justification or had he been informed of this by the government? Surely it is not treating parliament fairly to suggest that that kind of announcement can be made in another place but that we may not expect any comment on it from a member of the government in this chamber. Surely we are entitled to know, not only if the present president is going to be continued in office, but whether his functions are going to be divided as Senator Thorvaldson indicated.

The Minister of Transport is now in his seat. He has not had the advantage of listening to the earlier part of the discussion. I would tell him, therefore, that we have been arguing here, notably today through the rather moderate but vigorous statement of the hon. member for Bonavista-Twillingate who has presented an amendment, that before we accede to the request for certain moneys as contained in this bill we should be advised what the government's intentions are with regard to continuing in the office of president the present incumbent. We have pointed out that nine months have elapsed since the term of Mr. Gordon came to an end, and that it is wholly irresponsible for the government, after nine months, not to be in a position to indicate what its intentions are as to the replacement of Mr.

Gordon or his continuing in office or dividing the functions at the top level of the management of the railroad system.

How long does the government intend to allow this situation of uncertainty to persist? Is there any obligation on the government to make up its mind with regard to this matter? I will admit that the Minister of Transport has not been minister of transport very long.

Mr. Churchill: But he is very effective.

Mr. Martin (Essex East): I wish some other ministers were equally effective. I am not going to name the Minister of Veterans Affairs when I say that, but I simply say I wish the Minister of Transport had some other colleagues who deserved the designation the Minister of Veterans Affairs says applies in this particular case.

The Minister of Transport has not been in office for the full period of these nine months. However, he has been in office now long enough to know what the situation is. He, himself, has said he has confidence in the present president of Canadian National Railways. He made that statement, as I pointed out a few minutes ago, only after considerable prodding. He will remember that for two days strong criticism had been levelled in this house against Mr. Gordon, notably by hon. gentlemen who sit behind the minister. It was only after we had pointed out repeatedly that there was an obligation on the part of the minister either to agree with those criticisms or to defend the president of the railway, that the minister's statement was made. If he agreed with the criticisms, then it was clear what the responsibility of the government with regard to Mr. Gordon must be. The minister is satisfied. He has given the present president full endorsation. No one could have paid a more generous tribute to the competence of Mr. Gordon than did the Minister of Transport.

What we are entitled to know today is whether or not that tribute in appreciation of Mr. Gordon's competence is shared by his colleagues in the government, and whether or not they intend to continue that gentleman in office. This is the gist of the amendment that is before the house at the present time. The amendment deals also with the members of the board of directors who have yet to be appointed. I ask the Minister of Transport, and I ask the Minister of Finance—I would simply say in passing that if the Minister of Finance feels he is being unduly detained in this house, and on that account cannot accept the invitation which has been extended to him in the other place—

[Mr. Martin (Essex East).]

Mr. Fleming (Eglinton): There has been no invitation, so do not litter the record again with untruths.

Mr. Martin (Essex East): What is untrue?

Mr. Fleming (Eglinton): What you just said.

Mr. Martin (Essex East): Let me repeat what I have said.

Mr. Fleming (Eglinton): Mr. Speaker, are we going to discuss this bill or are we going to have a discussion based on the misstatement just uttered?

Mr. Martin (Essex East): Don't be so sensitive.

Mr. Speaker: I think the hon. member would do well not to bring in what is a purely extraneous matter and is certainly not an uncontroversial one.

Mr. Martin (Essex East): I did not catch that last observation, Mr. Speaker, and I like to hear what you say.

Mr. Speaker: I was just observing that it would be well for the hon. member not to bring in purely extraneous matters and which, as he has observed, are not uncontroversial.

Mr. Martin (Essex East): I was just observing, Mr. Speaker, that the Minister of Transport is here now—

Mr. Speaker: I know what the hon. member was observing, and I was asking him not to observe that.

Mr. Martin (Essex East): I was just observing that the Minister of Transport is now in his place, and if the Minister of Finance who has, after all, been under considerable fire now for many days in this house, feels that he wishes to attend—

Mr. Speaker: Order; the hon. member appears to be deliberately following what I suggested to him was not a proper course to take. I trust that he will accept the responsibility of the Chair for some determination of what course this debate should take.

Mr. Martin (Essex East): I am not going to pursue the point, Mr. Speaker, except to say, with great respect, that I find it difficult to accede to that suggestion. But under the circumstances there may be some other way of dealing with it. I would think it was most extraordinary that in the course of the debate one was precluded from saying to an hon. member that he could absent himself for particular purposes. I find it difficult to accede to the suggestion that such is not the case. However, I have such great respect for Your Honour and for the sensitivity of all the circumstances implied in what I have said that, for the time being, I am prepared to

pass on to my plea to the Minister of Transport. In doing so, however, I cannot help but note how sensitive the Minister of Finance is. I say this to the Minister of Transport. Surely he cannot now take the position that he can go on denying to us knowledge of the government's intention, particularly when we are now approaching the end of the present session or the present portion of this session of parliament. Is the government going to take the position that it will make an announcement with regard to the president of the railroad and the nomination of the new directors after parliament will have risen and before parliament returns? Is the government going to take advantage of that interval to announce if Mr. Gordon is going to be retained and who the new directors are? If that is the decision the government proposes to take I will say now that it will be a demonstration of this government's disregard for parliament. Or let the minister tell us frankly, "We are not in a position to announce it. We have certain considerations in mind that have not yet been realized. We cannot tell the house who the new president is going to be or whether Mr. Gordon is going to be continued or who the new directors are to be." Let the minister take the house into his confidence. But to deny us this information at this time is incomprehensible.

Let the people of this country recognize and recall the fact that we are not asking for something to be settled that has only suddenly arisen but rather something that has been in existence now for almost nine months. The hon. member for Bonavista-Twillingate took the position that before money was granted parliament had the right to know who was going to be the head of the Canadian National Railways. This morning we were told by the Prime Minister that the government had not yet decided who was going to be the president. When is that matter going to be decided? Are we then going to be denied this information only to be confronted when we leave here with a revelation of information that is now being denied to the house? Some hon. members who are new to this chamber find it irritating to find those of us in the Liberal opposition persistently making arguments of this kind. If they will look over the record of *Hansard* they will see the kind of arguments that were made by the present Minister of Finance and the present Prime Minister, without having anything like the justification that attends us in this particular instance. Because we are asking for what I think it is our duty to ask, we are being criticized and hon. members opposite find our interventions irritating and annoying. They may be annoying and they may be irritating but these are the instruments which an opposition is entitled to use in order to elicit from a reluctant executive information which the public and parliament are entitled to have.

An hon. Member: A filibuster.

Mr. Martin (Essex East): My hon. friend says "a filibuster". I do not say that this applies to him in particular but among hon. gentlemen sitting around him there are those who know the meaning of filibuster when we think of the way in which private members of the Conservative party during this session held up government business and are partly responsible for the fact that this is the longest session on record.

Some hon. Members: Oh, oh.

Mr. Martin (Essex East): Let no private member in the Conservative party talk about a filibuster. They have filibustered important legislation in this house as no other group has ever done, I suppose, in the history of parliament. We think of the filibustering on A.R.D.A., a bill which was introduced by the Minister of Agriculture and which does nothing for the farmers of Canada in the short term. We think of all of those instances of filibuster. Let no one suggest that we in the Liberal party are filibustering. If we are filibustering—

An hon. Member: You are just blustering.

Mr. Martin (Essex East): —we are filibustering with justification.

Some hon. Members: Oh, oh.

Mr. Martin (Essex East): I see the hon. member for Regina City in his place. Does he not think that we are entitled to know after nine months, when the term of office of the president of the railroad has expired? Are we not entitled, or is he not entitled as a representative of the people of Regina, to know who the next head of the Canadian National Railways is going to be?

Mr. More: I can ask my own questions.

Mr. Martin (Essex East): Are we entitled to vote moneys when this information is denied us?

An hon. Member: Have you any recommendations?

Mr. Martin (Essex East): I see the hon. member for Cornwall who has just come in. He is a member of this house. He represents people in this parliament. What explanation is he going to offer to his constituents, people who are putting up taxes, who are putting up money that ultimately finds its way into the exchequer of the Canadian National Railways? The people of Cornwall want to know.

Mr. Drysdale: Do you want Gordon fired?

Mr. Martin (Essex East): Now we hear from the hon. member for Vancouver-Kingsway.

Mr. Browne (Vancouver-Kingsway): Mr. Speaker, I must rise on a question of privilege. The hon. member for Essex East seems to be making some reference to me. I made no interjection or comment.

Mr. Martin (Essex East): I mean the hon. member for Burnaby-Richmond.

Mr. Speaker: Order. In dealing with the question of privilege may I request the co-operation of hon. members on my left but beyond the speaker who seem to be diverting the hon. member for Essex East from the main path of his argument.

Mr. Martin (Essex East): In this instance, Mr. Speaker, I have no difficulty in readily accepting what you have suggested, although I must say that I find these diversions somewhat helpful. I asked the hon. member for Burnaby-Richmond this question. How will he justify on going back to his constituents, voting millions of dollars to the Canadian National Railways and not having joined with the rest of us in ascertaining from the government who is to be head of the Canadian National Railways?

Mr. Drysdale: It is very easy because I know.

Mr. Martin (Essex East): My hon. friend says he knows. Oh, now we have it.

Some hon. Members: Oh, oh.

Mr. Martin (Essex East): The hon. gentleman says he knows.

Mr. Drysdale: Just read the annual report of the C.N.R.

Mr. Martin (Essex East): That is exactly the information given to the other place by Senator Thorvaldson who said that the office of president was going to be divided, that the person who was president would not continue to act as chairman of the board of governors. That was an announcement of policy made in the other place. We have been asking in this house for a confirmation of that announcement by the president of the Progressive Conservative party and yet we have not been able to obtain any information in that particular from the minister. Now from the generous and amiable member from Burnaby-Richmond we learn that he knows who is going to be the next president.

Mr. Drysdale: Read the annual report.

[Mr. Martin (Essex East).]

Mr. Martin (Essex East): We now learn that he knows whether or not the present president is going to be continued. That can mean only one thing, namely that he as a member of the Conservative party has been given information by the members of the government—by the Minister of Finance, by the Minister of Transport—perhaps in caucus, which information is being denied to parliament.

Mr. Drysdale: I rise on a question of privilege.

Mr. Speaker: I cannot hear the hon. member from that place.

Mr. Martin (Essex East): I think if the hon. member wishes to raise a question of privilege the house ought to accord him that right, even though he finds it convenient not to be in his place.

An hon. Member: Put him in his place.

Mr. Drysdale: Mr. Speaker, I rise on a question of privilege. In the first place I might say I object strenuously, as I indicated earlier, to this matter of seating, but I understand it is under review by the committee of the house. The point I wanted to raise and direct to the attention of the hon. member for Essex East is that the information I was conveying to him is readily available to all hon. members—in fact, to the rest of the world—because it is in the Canadian National annual report, which indicates that Mr. Donald Gordon is the president. This should answer the question contained in this very important motion raised at this time.

Mr. Crestohl: Who is the chairman of the board?

Mr. Martin (Essex East): I am sure the hon. member, who has crossed the chamber to sit in a seat he prefers, will recognize that he has not raised a question of privilege. However I do not make any comment on that. I can understand what the hon. member is trying to do in not being in his seat; he is trying to get as far away as he can from the ministerial benches. I can well understand why.

The situation is quite clear. In the face of what has been alleged today I hope the Minister of Transport, who comes to this debate fresh, perhaps with information which is not now in the possession of the Minister of Finance, will be able to give us the information to which we are entitled. He was not in the house when the hon. member for Bonavista-Twillingate read his amendment and therefore I should like to read it again:

> This house declines to give second reading to a bill providing large sums for capital expenditures on the railway system while the house is not possessed of the identity of those, namely, the

chairman and members of the board of directors, who will be responsible for the making of such expenditures.

Our request, our justified demand is embodied in the terms of this amendment and by no contrivance possible can the ministry justify refusing to give the house this information. The government is entitled to these moneys in support of the railway, but there must be an answer to our questions. To ask us to vote moneys when the government does not know who is going to head the railway, or when it refuses to give this information, is wholly irresponsible and is in keeping with the disregard for parliament which this government continues to demonstrate.

Mr. Fleming (Eglinton): Mr. Speaker, the house did not need to be told by the hon. member who has just resumed his seat that he and his colleagues are conducting a filibuster. That was perfectly well known to all hon. members of the house. Before they carry on their filibuster any longer, Mr. Speaker, I think I should say something to them about the consequences of their filibuster.

It is essential for the provision of the funds required by the Canadian National Railways that this measure should be carried without delay. We have now had the measure before us at the resolution stage and the bill stage. I think this is the third day it has been under discussion.

Mr. McIlraith: Why did you not bring it in earlier?

Mr. Fleming (Eglinton): There is plenty of opportunity for anyone who has anything serious to say about the bill to do so; but there is no opportunity for filibuster on this bill or intentional delay unless such hon. members as are participating in that intentional delay and obstruction wish to see the operations of the Canadian National Railways hampered.

Some hon. Members: Oh, oh.

Mr. Fleming (Eglinton): I make that statement, Mr. Speaker, so there will be no misunderstanding of the situation. There will be opportunity for fair discussion, serious discussion, but there is not time for wilful obstruction and filibuster.

Mr. Martin (Essex East): Give us the information for which we are asking.

Mr. Fleming (Eglinton): The information hon. members need to have will be forthcoming in answers to inquiries they may wish to make on the clauses of the bill. That information will be forthcoming. But I just wish to sound this word of warning to hon. members opposite.

Some hon. Members: Oh, oh.

Mr. Fleming (Eglinton): If they are thinking about prolonging an obvious filibuster I am giving them due warning now that the operations of the Canadian National Railways are going to suffer. That happens to be the fact. If they wish to continue to be irresponsible about this and ignore the position of the Canadian National Railways and the need on the part of the Canadian National Railways for having the financial provisions this bill contains for the railway, they can go ahead and do injustice to the Canadian National Railways and deprive that crown corporation of the provisions it needs from this bill.

The situation is just that, Mr. Speaker. So they can make their choice now between going gaily ahead with their filibuster and denying to the Canadian National Railways provisions which that company now requires, or on the other hand they can deal responsibly with the bill. We can have a serious and sensible discussion without obvious delay, endless repetition, deliberate filibuster and obstruction.

An hon. Member: That is too much to expect.

Mr. Fleming (Eglinton): Hon. members opposite seem to think that just by sheer repetition they are going to compel the government to embark upon—

Mr. Pickersgill: To make up its mind.

Mr. Fleming (Eglinton): —a course that is not within the power of the government to follow at this moment without further steps being taken. They are demanding—demanding, Mr. Speaker—that the government should tell them who are going to be appointed to the additional places on the board of directors of Canadian National Railways as provided by legislation passed through this house several weeks ago.

They are demanding also that the government should take some action with respect to the term of the existing principal executive officer, the president and chairman of the corporation. Let me say this, that the appointments of those additional directors have not been made.

An hon. Member: Why not?

Mr. Fleming (Eglinton): They cannot be made until the legislation has been proclaimed.

Some hon. Members: Oh, oh.

Mr. Martin (Essex East): Ridiculous.

Mr. Fleming (Eglinton): The legislation has not been proclaimed, and I doubt if under the existing pressure of business in this house

there is any use of hon. members thinking for one minute that the legislation is going to be proclaimed and those appointments made this week. In resorting to that kind of demand they are just exposing their own intention to filibuster and delay this measure. Every hon. member knows that the president and chairman is in office; he is carrying on as he has heretofore.

When the bill is proclaimed and it becomes then appropriate to make the appointments, those appointments will be made. But hon. members opposite merely delude themselves if they think that by conducting a filibuster of this kind and hurling abuse at this side of the house they are going to accomplish their purpose.

I wish to be understood. I am speaking very plainly, Mr. Speaker, to the opposition and I am telling them that if they think they are going to accomplish the purpose they profess to have by this filibuster, they are not going to succeed. They are simply going to deprive the Canadian National Railways of the arrangements that this bill proposes to make for the railway and which the railway requires.

Mr. G. J. McIlraith (Ottawa West): Mr. Speaker, we have just heard from the lips of the Minister of Finance an indictment of the government the like of which we have not heard for some time. I invite hon. members to consider the argument of the minister. He accused the opposition of a filibuster because one hon. member had dared to speak in support of an amendment that was offered to this house.

Mr. Fleming (Eglinton): About 15 speeches on Saturday, and endless repetition.

Mr. McIlraith: I wonder whether the Minister of Finance would observe the courtesies and rules of the house.

Mr. Fleming (Eglinton): Well, tell the truth.

Mr. McIlraith: I will tell the precise truth, and not follow the precedent set by the Minister of Finance in that respect.

Mr. Fleming (Eglinton): Tell the whole truth.

Mr. Pickersgill: Who is the Minister of Finance to be talking about telling the truth?

Mr. McIlraith: I will tell the whole truth and, therefore, not follow the precedent set by the Minister of Finance.

Mr. Fleming (Eglinton): You are telling only part of it.

Mr. McIlraith: The Minister of Finance persists in this course of interjecting. That is a course to which I have no objection if he has the ability to make his interjections relevant or pointed, or if he makes them with some skill or dexterity. However, if they are mere clumsy, repetitious statements on his part I should ask him to desist until his turn comes to speak.

The minister accuses the opposition of filibustering this measure for having dared to have one speaker speak in support of this motion.

Mr. Fleming (Eglinton): That is not what I said. You had a dozen speakers on Saturday.

Mr. McIlraith: Your remarks are on the record and the record will speak for itself.

An hon. Member: It sure will.

Mr. McIlraith: The Minister of Finance then made the threat that further discussion in respect to this bill would in some way jeopardize the position of the Canadian National Railways, because it would not have the funds available for this capital work. Let me point out to him that if that is so he owes an apology to the House of Commons for coming to parliament with this legislation so late. If what he has said is true, and is the whole truth, as he put it, then the government has failed in its responsibility in bringing this legislation forward so late that it cannot be considered properly by the house.

To show just how far the minister has gone let me say this. When my desk mate, the hon. member for Essex East was speaking in support of the amendment to the motion, the minister referred to his argument as an inane argument. I should like to follow up the hon. minister's remarks in that regard.

Let me analyse just exactly what he is asking this government to do. He is asking this house to approve a bill providing some $178,900,000 for the Canadian National Railways for purposes more particularly set out in the bill. I remind the Minister of Finance that that represents $10 out of the pocket of each citizen of Canada; those who work, those who are too young to work, and those who are unable to work because of illness. That is the magnitude of this bill. The amount of money asked for is the equivalent of $30 from the pocket of each member of the labour force. That is the amount he is asking the taxpayers to provide this year as well as that enormous amount of money required to offset the budget deficit.

Surely this is a matter of major importance to the citizens of this country. Surely if the Minister of Finance is asking the taxpayers to make this substantial contribution out of their earnings in one year he has an

obligation to tell the taxpayers why he wants that money, because this bill certainly has the effect of arbitrarily taking that money from them.

If the Minister of Finance is going to tell the whole truth, as he refers to it, is he going to tell the taxpayers that he will not inform them who is going to be in charge of spending this vast amount of money? Is he not going to tell them who is to be responsible? Is he going to tell them if they search through the statute books they will find there a board of directors and a chairman of the board, but that he will not tell them who they are? Is he going to tell them that this government will not indicate what its policy is in this regard? Is he going to tell them that if they look at the statute and read it carefully they will find that the government has the right to make these appointments but that the government is going to take this money from the taxpayers without telling them who the management is to be, and only after the government has received the money will it then tell who is to manage the railway?

Mr. Martin (Essex East): Parliament be damned.

Mr. McIlraith: Surely that is not a responsible way to treat the taxpayers of Canada. Surely that is not a responsible way to treat the members of the House of Commons who, in the final analysis, are nothing more or less than those individuals elected by the voters of Canada to represent the taxpayers. Surely it is not inane to ask the Minister of Finance to reveal the policy of the government in this regard and to reveal the government's action before parliament joins in taking this very large sum of money from the taxpayers for this purpose.

Mr. Speaker, the Minister of Finance becomes very wrathful about these things and wonders why we should dare to defend the right of parliament to have this information. He wonders why we should dare to try to maintain the responsibility of parliament. He wonders why we should attempt to make the government answerable to parliament. According to his theory the government is apparently no longer answerable to parliament. But that is a question which will be resolved at some time or another in the future. However, I warn the minister that if he persists in this high handed, arbitrary and arrogant method of dealing with parliament he must be prepared to accept the consequences.

Earlier this session when the opposition presented an amendment to a supply motion on February 20 and February 21 having to do with monetary policy there was reference made to the head of an institution very much occupying public attention today. On that occasion the Minister of Finance defended the head of that institution at some length. I remember the argument very well because I intervened in it.

Mr. Fleming (Eglinton): Order.

Mr. McIlraith: I am wondering today, in regard to this debate on the railway bill, why the Minister of Transport is not bearing the burden of the argument in presenting this bill. Maybe he has not had a chance because of the Minister of Finance, but whatever the reason he is not bearing that burden.

The Minister of Transport has made it clear that the government proposes to appoint promptly the members to the board of the directors of the Canadian National Railways and also that the chairman of the board had the support of the government. This was exactly the pattern followed by the Minister of Finance in that other connection. Then the Prime Minister entered the picture. I am wondering if in a few weeks the Minister of Transport will not be forced to take the same type of action vis-à-vis the four directors whose term of office is expiring shortly, and the chairman of the board of directors, as the Minister of Finance was forced to take a few weeks ago vis-à-vis the head of the Bank of Canada. It seems to me that is the kind of situation we are confronted with today. I believe we would be remiss in our duty if we did not press the government of the day to give an explanation regarding the appointment of the men who will be responsible for the direction and administration of this great railway system. Surely that elementary information should be given before this money is provided. I suggest it is an impertinence on the part of the government to go to the taxpayers of Canada and take from them this vast sum of money without giving that information. It is an impertinence to parliament for the Minister of Finance to submit this bill without being ready and willing to give such information.

For my part I completely repudiate the criticism of the Minister of Finance that we are conducting an obvious filibuster. I regard the proceedings in respect to this legislation and the way in which this government is putting it through as an obvious demonstration of arrogance on the part of the government toward parliament. I regard it as the duty of members of parliament to endeavour to obtain this information before this large sum of money is provided from the taxpayers' pockets.

Hon. J. M. Macdonnell (Greenwood): Mr. Speaker, I had little intention of speaking on this matter but I arrived in the chamber just

in time to hear the proposed amendment. I like to think that I usually speak in moderate terms but I find it difficult to do so this afternoon because, quite frankly, I find it impossible to understand how a serious man could propose such an amendment.

Why do I say that? I say that because although I was not on the railway committee this year I was on the committee for a good many years. I have heard representations made by the president of the railway and his staff. I have taken part in the deliberations of the committee.

We have then had this measure following, the committee reports, and I suggest it is practically a routine measure.

Mr. McIlraith: A measure having to do with $180 million?

Mr. Macdonnell: Do not let us be led astray by the fact that there are large amounts of money involved. The question is whether this proposal has come before us with the proper authorization. This proposal comes to us from the railway. It does not creep up out of the ground. It has not come in any accidental way. It has been approved by the board of the railway, and the president of the railway came and presented it; then it was discussed by a responsible committee of this house. It was then reduced to legislation and it comes to us with the imprimatur of that committee. In that sense, as I said, it is routine. I have sat on the other side of the house and I have taken part in discussion of this legislation and I have made comments on it but I do not think it ever occurred to me previously that we were acting in an almost irresponsible way and asking the House of Commons to dig up huge amounts of money. What I thought we were doing was coming to the House of Commons, following the careful and responsible sittings of the railway committee, such as took place this year. What is suggested? It is suggested that by reason of an accident, an accidental situation, namely that there are four directors still to be appointed and that the president's appointment, which has expired, has not been repeated yet, in some way that means that we should not vote the amount. It is difficult to understand, as I say, why reasonable men would suggest that. Do they think if we do not know the names today that we will wake up tomorrow morning and find that a lot of third-rate people have been appointed to this board?

Mr. Martin (Essex East): Will my hon. friend permit a question? He has said this is a routine matter and in the context he employed that may be the case; but does the hon. gentleman deny that we in the opposition are justified in asking if the president will be continued in office, particularly in view of the fact that his term expired nine months ago, and that hon. gentlemen opposite have criticized him and the government itself has not defended him? In these circumstances are we not entitled to ask, and make as a condition precedent to our vote, that the government tell us what they intend to do with regard to filling the post of president of the railway?

Mr. Macdonnell: Of course you are entitled to ask. You have asked it a dozen times. I have never objected to your trying to do that. Incidentally, I have spoken in favour of the president of the railway. I think he is a great executive. That is another matter. It has nothing whatever to do with this. I maintain that these two things are just as far apart as the east is from the west. We have here a bill which came to us following the deliberations of a serious committee. It is a thing which, as I say, is routine, and in the sense in which I use the terms the hon. member admits it. It comes up every year. Are hon. members to say that because there are still four directors to be appointed and the president's appointment has not yet been continued the money is not to be spent but is to be held back? As I say, it is difficult for me to understand how serious men would ever make such a proposal, it is such a trivial argument. One might go on and argue that the eight men who are on that board now no doubt, were a party to these amounts being produced before the committee and that the committee sent on the measure now before us. Incidentally, those eight men would still be an effective majority on the board. However, that is a trivial argument and I do not make much of that. I return to my original point. This is a measure in the ordinary course of business, sanctioned by our practice year after year. In my view it is trivial to suggest that this measure should not be passed because we have not got the full list of members of the board of directors. Do we think that a lot of wild men are going to be appointed? Do we think that some men utterly incompetent to run the railway are going to be appointed? No, of course we do not.

Mr. John R. Matheson (Leeds): Mr. Speaker, I wish to address myself briefly to this motion. On July 7 we heard the Prime Minister say that civil servants like children should be seen and not heard. Today, July 11, we heard the Minister of Finance go one step further and enunciate the principle that the opposition like children should be seen and not heard.

An hon. Member: You are one.

Mr. Matheson: As an example, the Minister of Finance mentioned the subject of filibuster. We are reminded of what happened on Friday, June 20 last, when there was introduced by the same Minister of Transport who appears here today a measure to provide for the construction of a line of railway in the province of Alberta and in the Northwest Territories for the Canadian National Railway company involving a proposed expenditure of something of the order of $86 million. On that occasion, sir, in order to be co-operative, there was a minimum of discussion on this side of the house. The hon. member for Laurier and the hon. member for Kootenay West spoke briefly agreeing, in effect, to the proposition as put forward in order that business proceed. Thereafter, sir, we had lengthy speeches by the hon. member for Peace River (Mr. Baldwin), which speech appears at page 7322 of *Hansard*; then the hon. member for Vancouver-Kingsway (Mr. Browne), at page 7326; then the hon. member for Athabasca (Mr. Biggs) at page 7327; then the hon. member for Edmonton-Strathcona (Mr. Nugent), at page 7330; and then the hon. member for Lethbridge (Mr. Gundlock), at page 7333 and he concluded only because it was five o'clock. I submit that a study of those pages of *Hansard* indicates that this administration was not prepared to proceed with real business that day. We sat and listened to congratulatory speeches which contained nothing serious at all. I refer to the time-wasting speeches that were made in this house on that bill after the hon. member for Kootenay West concluded his remarks.

Now, sir, this is not a theoretical railroad to the Northwest Territories; it is the C.N.R., the most important link in our nation. It is one of the most important instruments of our economy and of our way of life. Surely we have the right to question the administration on some of these matters, having in mind the context of other developments in the last few weeks. These things cannot be forgotten when we ask questions now. We do not know who is going to preside over this great business in our country today. I point out, sir, this is not a case of railway business simply seen in isolation. The economic value of the C.N.R. to our community is determined not by the railway's income account and balance sheet but by the social dividends the community receives in reduced costs of transportation. The primary dividend is the money saved by using rail transport rather than any other kind of transport. I am reading these words from the study of the Canadian National Railways, volume I, by G. R. Stevens.

You will recall, sir, that Mr. Gordon received his appointment on January 1, 1950. When he took over from his eminent and worthy predecessor, Robert Charles Vaughan, there was a deficit from the preceding year of $42 million. By great energy and devotion the new president was able to reduce that deficit immediately to something slightly over $3 million. It increased to $15 million, and thereafter for two years he was able to operate this great line at a surplus to this country. There was a slight deficit in 1954 and then for two years, until this government took over, we were operating in the black. Commencing in 1957 we find the situation where the railroad under this administration starts to slip. But what didn't slip? From a deficit of approximately $29 million they now creep up to the end of 1960 with a deficit of $67,497,000. Nevertheless under Mr. Gordon's administration we have been able to increase our operating revenues by 38 per cent and at the same time increase the average hourly earnings per employee by over 77 per cent.

We know nothing about what is going to happen in the future. We are seriously and earnestly concerned about what is going to happen to perhaps the greatest industry of our country, an industry not only important for its own sake but because it is the framework, the sinew, the arterial system for everything else in Canada. Probably there are no two things as important to the general prosperity as transportation and currency. These are the reasons why we rise today, not for the purpose of delaying the house but to put before parliament legitimately some of those problems that are very much in the minds of members of the opposition if not in the minds of members of the administration.

Mr. J. Edgar Fournier (Restigouche-Madawaska): Mr. Speaker, before I embark on the subject that is before us today I should like to make a few remarks in my native tongue.

(Translation):

Mr. Speaker, I did not intend to take part in any discussion during this session which, I think, could be adjourned any moment now, but instead I wanted to listen, observe and take my bearings. So, I am not following the tradition of this house according to which the maiden speech of a new member should deal mainly with his constituency. I defer that to some later occasion. In the meantime, I will endeavour to set the record straight about the Restigouche-Madawaska election. In fact, *Hansard* contains some erroneous remarks made by certain opposition members.

Mr. Speaker, I do not need to acquaint the house today with the Restigouche-Madawaska

constituency. For years, that constituency was neglected and forgotten by Liberal representatives, but my predecessor, Mr. Van Horne, took it out of the Liberal party muck to restore it to its lawful place. I am determined to see to it that it retains that place.

(Text):

I have sat in the house for 17 days, Mr. Speaker, and, as I said in French a minute ago, I have been making observations and listening to the debates. Sometimes I have found them very interesting and instructive, especially when the speakers have been on the government side, but I am afraid that I cannot pay the same compliment to the opposition as on many occasions their arguments are shocking, degrading and do not add to the dignity of the house, especially when the frontbenchers are trying to overrule the Speaker.

In listening to this debate on the C.N.R. I am sure my knowledge is very limited as I was not privileged to attend the committee meetings. However, I should like to make a few observations. My riding of Restigouche-Madawaska used to have two major C.N.R. railway centres, Edmundston and Campbellton. They were two divisional points with a great number of people employed there but today they are largely ghost shops.

In the early fifties under Liberal management an overnight transformation to diesel power took place which should have been carried out at a much slower rate in order to save millions of horsepower. I am referring to steam engines, most of which were practically new but had to go to the scrap pile at the expense of the taxpayers. If the transformation had been carried out more slowly management would have had ample time to transfer some of the men to other departments instead of throwing them out on the street without jobs. The machinery to bring about this sudden transformation was established under the Liberal administration.

Today the government is rebuilding those two centres. I wish to compliment the government on the new station which has been built at Edmundston, a station which was in the Liberal platform for some 30 years. It was built by this government in 1959 and included a freight shed which had also been promised by the Liberals. In Campbellton a complete new transformation is to be started in the near future.

There is one major problem, Mr. Speaker, which seems to puzzle me and to puzzle all the taxpayers of Canada. It is the difference between authority and management. Last Friday in the house some hon. members made reference to some dispute involving the private trucking companies and competition in the trucking business by the C.N.R. The answer given by the Minister of Transport was, "This is a decision for the authorities".

I have no doubt that this good and conscientious minister has inherited such a situation as a result of 22 long years of Liberal administration when authorities, management, administrations and politicians were all riding in the same private car. My question to you, sir, is this. Are we asked to vote several hundred millions of dollars to be spent by this so-called authority while at the same time we, the government members, not the opposition, have no authority as to where and how such expenditures will be made?

I am sure everyone in this house will agree that somewhere along the line there is confusion, and under our democratic system I am sure that those elected by the majority vote of the taxpayers, who have been given the responsibility by the taxpayers to vote these moneys, should have some authority with regard to how and where they will be spent. If not, then some better understanding should be in order.

There are many instances I could mention at this time where the so-called responsible authorities in the C.N.R. have cost the taxpayers of Canada thousands of dollars, if not millions. There is concrete evidence that authorities, administration and management are not working hand in hand to save public money. I know these are matters for committee meetings, Mr. Speaker, and I will not discuss them further now.

There is more than money involved in administration. Such things are involved as co-ordination of various departments, duplication of services, spending within the revenue, and public relations, and on the last topic I wish to make a few comments.

Every time the working force of the C.N.R. has received an increase in salary or an adjustment of some sort through the efforts of their unions the price has always been a mass lay-off that followed. This, Mr. Speaker, is again a sign of poor administration. If those men were needed before the increase in salaries why were they not needed after the increase was granted, or were they fired for political motives or motives of revenge? If the management of the C.N.R. would put half the effort they are now expending on firing employees on the promotion of jobs we would have better public relations than exist now between the employees and the management.

But what can we do? Under the long regime of Liberal administration the C.N.R. got out of control and it will take some time

to bring it back to where it should be. Let this so-called authority not forget that under our democratic system our elected members of the government are the ones who are responsible to the people, that the elected members of the government are responsible to the people of Canada and that the so-called authority is only authority under the duly elected members of the government.

The C.N.R. is Canada's largest business. It is spread from coast to coast and involves all classes of society and all walks of life. Again, I agree with the remarks of the hon. member for Port Arthur, as found on page 7740 of *Hansard*, when he quoted Mr. G. R. Stevens as having said:

> The economic value of a railway to the community is determined not by the railway's income account and balance sheet, but by the social dividends the community receives from the reduced cost of transportation.

I would add that it is also determined by the services rendered to the community and I think this is the most important criterion. We have no objection to voting the necessary funds to keep this railroad operating for the welfare of the community and to offer a balanced service throughout the country, but we do take strong objection to voting money which will be spent by irresponsible so-called authorities. I refer again to the matter of trucking which I mentioned a while ago. I would suggest that for some time yet the C.N.R. should not go too strongly into the trucking business but rather should approach the matter with moderation. Since last year's operations were not too successful, and before we find ourselves with another hungry child which will have to be fed with taxpayers' money, I would suggest that effort should be made by the railways to keep their box cars filled and moving on the railroad, rather than moving them onto our highways.

In closing, Mr. Speaker, I wish to say that my three weeks in this house have revealed some things to me which I never expected to see and of which I am sure the people of Canada are not aware. I refer to the behaviour of the opposition in this house and to some statements made in this house about this bill. Who do they think they are, Mr. Speaker? Do they think they are still the government? Do they not remember the shocking events of 1957 and the disaster of 1958 when the people of Canada told them on what side of the house to sit for some time to come? This time may prove to be much longer than they expect if they continue to filibuster the proceedings of this house. If the people of Canada could only see them. No one will deny that Liberal politics have been placed ahead of the interests of the country at the taxpayers' expense.

Is this government responsible to the opposition or is it responsible to the people of Canada? Is the Canadian National responsible to the government or to the opposition? Who makes the appointments to the Canadian National Railways, the government or the opposition? Who runs the affairs of the country, the government or the opposition? Let us vote on this bill and let us keep a close watch on the expenses. In closing, let me remind my hon. friends of the opposition that instead of giving advice to this house they should direct their efforts to organizing their own camp.

(Translation):

Mr. Azellus Denis (St. Denis): Mr. Speaker, I feel I must heartily congratulate—

Mr. Parizeau: Here is the shining light of the opposition.

Mr. Denis: —the hon. member for Restigouche-Madawaska (Mr. Fournier) who has just delivered his maiden speech in this House of Commons.

I congratulate him all the more heartily as his speech did not hurt the Liberal opposition very much. I express the wish that at least after the next election, he will put his vast knowledge to the service of his country, not in this parliament, but rather in his province or his municipality.

We note that at the last by-election, the hon. member for Restigouche-Madawaska obtained a majority of some 900 votes. Whereas, in 1958, his predecessor had obtained a majority of about 4,000 votes. I am sure that is not due to the candidate.

Mr. Fournier: Mr. Speaker, on a point of order. I wish to rectify right now an error that has crept into the debate and that I wanted to correct later.

My friend just said that I obtained a majority of only 900 or 960 votes. In fact, it was 1,022 votes. On the other hand, if we go back to the 1958 election, it is to be noted that 7,000 Liberals had voted for the present government. So, the majority I obtained is not 960, but 7,000 votes.

Mr. Denis: I am ready to concede a few thousand votes to the hon. member, to please his imagination, but after the next election, the situation will not be the same.

Mr. Parizeau: You will not even be in this house.

Mr. Denis: In any event, if the hon. member's majority has declined, we must not necessarily believe it is his fault; it is rather that of the present administration, of the present government, in other words of the hon. members forming the government.

Mr. Parizeau: The hon. member for St. Denis will lose his deposit at the next election.

Mr. Denis: It is too bad the Minister of Finance (Mr. Fleming) was not here when the hon. member for Restigouche-Madawaska and the hon. member for Greenwood (Mr. Macdonnell) made their speeches. He could then have realized that it is the Conservative members who are filibustering on this bill.

For some time, the government has been threatening everybody. Nobody is allowed to make any speech, to criticize the government, to oppose its views.

For some time, Mr. Speaker, the government has been asking that everything goes according to its views, to its fancies. It will not allow the opposition to criticize the policy of the government, which for four years has been made up of confusion, obstruction, vision and contradiction.

I do not know what is happening now but even this bill is not supported by each and every Conservative member. Some are in favour, some are against. In a word, nobody knows where we are going. Does the government support its backbenchers who are criticizing Mr. Gordon? Does the government support Mr. Gordon? Does it reject him? We do not know.

And we are asked to vote the considerable amount of $178 million without being told whether Mr. Gordon will remain in his position or whether he will be fired.

If we are to believe the hon. member for Joliette-L'Assomption-Montcalm (Mr. Pigeon), Mr. Gordon is public enemy No. 1 in this country. He is asking nothing less than his resignation, as we can see at page 6039 of *Hansard*, where the hon. member charges Mr. Gordon with being autocratic.

He is enemy No. 1 of national unity.

He asks the government not to renew Mr. Gordon's mandate.

If those assertions are accurate, what is the government waiting for? If they were accurate last year, why did it not act last year? If they were accurate two years ago, why did it not act two years ago.

The president of the Canadian National Railways is managing millions, hundreds of millions of dollars of the taxpayers, should I say, since the railway shows a deficit every year and that president is hired only from day to day.

His term of office is over. We do not know whether he is going to be president of the C.N.R. tomorrow or the day after tomorrow. And in spite of that, we are asked to vote a sum of $178 million without knowing who is going to see to it that the amount is well spent.

Mr. Speaker, suppose you are a shareholder of a company. You would certainly like to know who would manage the thousands of dollars you would invest in it.

Mr. Parizeau: It certainly would not be the Liberals.

Mr. Denis: It seems but reasonable and fair that the country be told now, before a sum of $178 million is committed to the care of an unknown individual. The house is entitled to know who will be president and also the names of the five new directors the government intends to appoint. We do not know where we are going. We are on tenterhooks. Yesterday, a president was fired. Today another one is on the point of being fired. There are threats of a reform or of the abolition of the Senate. They threaten us with an election. But, Mr. Speaker, I can assure you that we do not fear an election. I would like action to be taken on these threats about a general election, because if there were a general election this year, I am sure the people would be glad to rid themselves as soon as possible of a government which has so badly administered the country during four years. The Liberal party, which would then replace it, would tell the house who would be appointed president, who would be appointed directors, and if a president or director were not suitable, it would dismiss him if he deserved it but it would give him a chance to defend himself before the house.

(Text):

Mr. Deputy Speaker: The hon. member for Laurier.

(Translation):

Mr. Parizeau: Quebec's great defender.

(Text):

Hon. Lionel Chevrier (Laurier): Mr. Speaker, I should like to join with those of my colleagues who have spoken on this amendment and to deal with a number of matters that have come up and which, in my opinion, are nothing more nor less than pretexts on the part of the government. It is unfortunate that the Minister of Finance, after having warned the house of the importance of this bill, should have left the house abruptly. It would have been much more satisfying to me were he in his seat now because there are certain things I should like to say to him in answer to the charges which he made and which I think need to be said on this occasion.

The Minister of Finance said that it was essential that this measure be carried without

delay. Why is it so essential at this time? It was in the power of the government to bring this measure before the house many weeks ago, in fact several months ago; but suddenly the Minister of Finance sees great urgency in the measure. He goes further; he warns and even threatens the opposition that, unless this legislation is passed, the operations of the Canadian National Railways will be hampered. He says this is no time for willful obstruction on the part of the opposition. May I say that the operations of the C.N.R. will go on notwithstanding the warnings and threats of the Minister of Finance. Whether this bill is delayed another day or two is a matter that will not affect the operations of the Canadian National Railways, and no one knows that better than does the Minister of Finance. After all, this great railway has been hampered by the present administration in the fact that the committee dealing with the annual report of the C.N.R. and T.C.A. met this year many weeks, in fact months, after the time at which it normally meets.

Then the Minister of Finance made this rather strange assertion. "Why", said he, "have the directors of the Canadian National Railways not been named? They cannot be named unless this legislation is proclaimed." That is not so. That is an untrue statement and no one knows it better than does the Minister of Finance.

Mr. Speaker: Order. I question whether the hon. member meant that sequence to his remarks. He said first it is an untrue statement. Then he said the minister knew it was an untrue statement. I would hope he would not leave that on the record because that is contrary to all the rules.

Mr. Browne (Vancouver-Kingsway): It is not an untrue statement anyway.

Mr. Chevrier: Mr. Speaker, I certainly would not want to charge the Minister of Finance with voluntarily having made the statement. If you feel that, in the remarks I have made, such is the case, I of course amend them immediately. What I had in mind, however, and what I intended to say was that the statement made by the Minister of Finance was wholly inaccurate. It is not a fact to say in this house that the directors of the Canadian National Railways cannot be named until this legislation is proclaimed. That is not a fact. That is not so. That is the same old story that we were given when we asked the Minister of Transport why the directors of the Canadian National Railways were not named for days after the legislation increasing the directors from seven to 12 was passed. We were told then, "Wait until the committee has dealt with the annual report of the C.N.R.". Now that the last piece of legislation dealing with the affairs of the Canadian National Railways is before the house we are told "Oh, no; you cannot have this information until the legislation is proclaimed". That is not so. It is not a fact. It is an inaccurate statement by the Minister of Finance and I say to the Minister of Finance that no one knows better than he does that the statement is inaccurate.

Mr. Balcer: May I ask the hon. member a question?

Mr. Chevrier: Yes.

Mr. Balcer: Is it not a fact that this act increases the number of directors of the C.N.R. has to be proclaimed before the number of C.N.R. directors is increased from seven to 12? Is that not a fact?

Mr. Chevrier: That is not what the Minister of Finance said.

Mr. Balcer: He said five new directors could not be named until this act was proclaimed and he said the house knew about it.

Mr. Chevrier: Just a moment. The minister asked me a question and I am going to reply to him. The opposition is not in possession of the information. The government is in possession of the information. The government knows whether or not the legislation has been proclaimed. However, that is not what the Minister of Finance said. I took down his words. He said that the directors of the Canadian National Railways cannot be named or appointed until this legislation is proclaimed; not until the other legislation is proclaimed but until this legislation is proclaimed. I say that statement is not accurate.

Then I return to the statement I made earlier, namely that all of this fuss could have been avoided a long time ago if the government had only had its legislation in order. However, such was not the case. The government has been bungling all along. It has not been prepared. Its legislation was not prepared for the house. Even the bill which the Minister of Transport brought down the other day was not ready. The resolution was ready and then it was based on an agreement which had not yet been made between the parties.

Mr. Balcer: There is nothing wrong with that.

Mr. Chevrier: There is a great deal wrong with that and I will tell the minister why there is a great deal wrong with it. The bargaining position of the government of Canada is being endangered by bringing into the House of Commons a resolution based upon

an agreement which has not yet been negotiated. In other words, now the parties to the construction of this railway know on the one hand that the government is going ahead with it and this knowledge will strengthen their hand in bargaining powers as between themselves on the one side and the government on the other. That is why I say it is bad business on the part of any government or any administration to bring in a resolution that is based on an agreement that has not been completed.

The hon. member for Greenwood rose in his place in this debate as he had a perfect right to do, and he said he found it strange that in regard to this routine matter there should be such a long discussion about this bill which involves the expenditure of some $180 million. He also suggested that the president and the director not being known had nothing to do with the legislation before the house. He referred to his experience in the past and I may say that he has a great deal of experience. I say to him in fairness that no one has criticized the refinancing legislation of the Canadian National Railways more constructively than has the hon. member for Greenwood. But when he makes the statement he made a while ago I say this to him. The circumstances today and the circumstances yesterday are entirely different. In past years under a Liberal administration there was no question as to who was to be the director and the president of the Canadian National Railways. At the present time there is a question. Before we vote these huge sums of money I say that we are entitled to know why it is that the government will not make up its mind and will not tell parliament.

There is a great deal in what the hon. member for Bonavista-Twillingate said earlier today, namely that the reason is, as the Prime Minister said when he was leader of the opposition, that parliament is a puppet. That is the reason. In the view of hon. gentlemen opposite parliament is exactly what the Prime Minister said; there are two sovereignties. As far as I am concerned, there is only one sovereignty and that is parliament and parliament alone. Before we vote these huge sums of money we should be entitled to know who the people are who are going to spend these sums of money.

Mr. Macdonnell: Will the hon. member permit a question?

Mr. Chevrier: Yes.

Mr. Macdonnell: I think the hon. member wishes to be fair. However, he has entirely ignored what was perhaps my strongest point, namely that a committee of this house has been over these figures and has approved them.

While I am on my feet may I ask another question? Does the hon. member, with his experience, not agree that the passing of this bill is necessary in order that the arrangements for financing and so on, with which he is so familiar, can go forward? They cannot go forward, as I understand it, until this bill is passed.

Mr. Chevrier: Yes, that is quite correct; but what difference does it make whether it goes forward today or next week? Why is it that legislation was brought down in this house six months ago, was dealt with in stages and was not completed until last week? Whose fault is that? That is of course the fault of the government. It is also the fault of the government that we have this situation in connection with the C.N.R. If the committee had met earlier, if the affairs concerning the Canadian National Railways had been dealt with earlier we would have disposed of this matter a long time ago.

Mr. Speaker, I was passing on to another matter with which I wished to deal before I closed my remarks. It has to do with the report of the royal commission on transportation. That report, as the house knows, has been submitted to the government in at least its first part and two other volumes will be brought before the house in due course.

In this first volume it has been recommended that large sums of money be paid to the railways in four fields. First in the field of passenger train service, where the Canadian National Railways testified that their train service deficit in 1958 was $40 million, and where the Canadian Pacific Railways testified to the same effect, that their passenger train service burden in 1958 was in the neighbourhood of $15 million to $16 million, and wherein too the MacPherson commission recommended large, maximum annual payments in respect of this loss of service ranging from $40 million in 1961 to $8 million in 1965.

The second recommendation in the report had to do with light density lines and therein, too, was a recommendation for a subsidy. That also applies to export grain traffic, where the commission has recommended that in the case of C.P.R. a sum of $9 million annually shall be paid on behalf of the export grain traffic as a contribution to constant costs. There is one other matter having to do with statutory free transportation.

I raise this matter because there is to be found in the supplementary estimates of the Department of Transport an amount of $50 million which has not yet been reached during the discussion of these estimates. I

have tried to obtain information as to what this sum represents. Does it represent a partial acknowledgement or acceptance of the recommendations of the royal commission? Does it represent a payment for the wages in connection with the dispute between Canadian National Railways and its non-operating employees, or does it represent a straight subsidy in connection with both?

I think the house is entitled to receive that information before we vote on this amendment, and on the bill, if need be. I attempted to obtain this information from the committee when it dealt with the annual report of the Canadian National Railways, but again I did not get very far in that attempt because it was felt that questions relating to this matter were very close to the borderline because the commission had not yet finally reported, and in any event the wording of this item in the estimates, No. 590, was such that it was clear.

Well, I never thought it was clear at any juncture. If there ever was evidence of lack of clarity, it is in this item. I should now like to read it into *Hansard*. It is entitled, "Board of transport commissioners". The item reads:

Interim payments, related to recommendations of the royal commission on railway problems pending its complete report, to companies as defined in the Freight Rates Reduction Act of an aggregate amount in respect of the calendar year 1961 of $50 million, to be paid in instalments at such times and in accordance with such method of allocation as may be determined by the board of transport commissioners for Canada, as compensation to such companies for the maintenance of their rates on freight traffic at reduced levels as provided for in the said act.

So it covers the whole field. It covers the world. It covers in part the recommendation; in part salaries; in part reductions in freight rates. Again we have an example of the manner in which this government proceeds to deal with important matters of this character. We were also told we would have legislation in connection with these recommendations. That was a statement made repeatedly by the Prime Minister (Mr. Diefenbaker) during one of the debates of this house. We are still awaiting that legislation.

If the government had in mind the welfare of the railways and of the people of Canada it would, after this long period of time in which the report has been in its hands, have had legislation to deal with the situation as we find it. Under those circumstances, Mr. Speaker, there was every reason for the hon. member for Bonavista-Twillingate to move this amendment, which we on this side of the house will support.

Mr. Speaker: Is the house ready for the question?

Some hon. Members: Question.

Some hon. Members: Five o'clock.

(Translation):

Mr. J. A. Habel (Cochrane): Mr. Speaker, we definitely have the right to ask the government to tell us, in all fairness—

(Text):

Mr. Speaker: Order. The house will now proceed to the consideration of private and public bills, the former having precedence pursuant to section 3 of standing order 15.

Mr. Fleming (Eglinton): Mr. Speaker, would the house be willing to continue during this hour from five to six o'clock the business on which it was engaged at five o'clock?

Some hon. Members: Agreed.

Some hon. Members: No.

Mr. Chevrier: No, Mr. Speaker.

Mr. Fleming (Eglinton): The old filibuster.

PRIVATE BILLS

THE CUMBERLAND RAILWAY AND COAL COMPANY AND THE SYDNEY AND LOUISBURG RAILWAY COMPANY

On the order:

House in committee on Bill No. S-19, respecting the Cumberland Railway and Coal Company and the Sydney and Louisburg Railway Company (Without amendment)—Mr. MacInnis.

Hon. Gordon Churchill (Minister of Veterans Affairs): Stands, Mr. Speaker.

Order stands.

RAILWAY ACT

AMENDMENT TO PROVIDE FOR APPLICATION BY TRUCKERS TO TRANSPORT BOARD ON COMPETITIVE RATES

On the order:

Second reading of Bill No. C-39, to amend the Railway Act—Mr. Browne (Vancouver-Kingsway).

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, I think the hon. gentleman who is sponsoring this bill indicated the last time this matter came up that he would be prepared to proceed on the next occasion. If he is not prepared to proceed, I think he should lose his place in the queue.

Mr. J. F. Browne (Vancouver-Kingsway): Mr. Speaker, I might—

Mr. Speaker: Would the hon. member wait just a minute.

Mr. Argue: That was reserved for the opposition.

Mr. Speaker: The hon. member for Vancouver-Kingsway.

Mr. Browne (Vancouver-Kingsway): Mr. Speaker, when this bill came up last Friday it was suggested by the house leader that

he agreed to its standing on the basis that it would be delayed for perhaps a week because private bills come up on Tuesday, and I indicated at that time, and felt the house had accepted it, that it would go ahead on the following Friday.

Mr. Peters: Why not take it now?

Mr. Speaker: Is the hon. member ready to proceed?

Mr. Browne (Vancouver-Kingsway): Mr. Speaker, I ask that it stand.

Mr. Argue: No, Mr. Speaker.

Mr. Speaker: Is the government prepared to request that it stand?

Mr. Churchill: I ask that it stand, Mr. Speaker.

Mr. Speaker: It stands at the request of the government.

Mr. Howard: Favouritism.

Mr. Speakman: Mr. Speaker, on a point of order, the hon. member for Skeena has just said "favouritism" and I think that remark should be withdrawn.

Mr. Argue: It is true.

Mr. Speaker: Order.

Mr. Howard: Mr. Speaker, I should like to speak on the point of order.

Mr. Speaker: I do not see that there is a point of order.

Mr. Howard: Mr. Speaker, on the point of order—

Mr. Speaker: Order. There is no point of order. Would the hon. member resume his seat.

Order stands.

TRANSPORT

PROVISION FOR REGULATION OF EXTRAPROVINCIAL TRUCKING

On the order:

Second reading of Bill No. C-44, an act to regulate extraprovincial transportation—Mr. Chown.

Mr. Speaker: The order stands.

Mr. Pickersgill: Mr Speaker, does this stand at the request of the government?

Mr. Speakman: It stands but not at the request of the government.

Mr. Pickersgill: In that event, Mr. Speaker, I do not believe we would agree that it stand.

Mr. Speaker: This just means it goes to the bottom of the list.

Order stands.

[Mr. Browne (Vancouver-Kingsway).]

FINANCIAL ADMINISTRATION ACT

AMENDMENT TO PROVIDE FOR PRINTING OF NEGOTIABLE INSTRUMENTS IN BOTH ENGLISH AND FRENCH

The house resumed, from Tuesday, November 29, 1960, consideration of the motion of Mr. Boulanger for the second reading of Bill No. C-6, to amend the Financial Administration Act.

(Translation):

Mr. Samuel Boulanger (Drummond-Arthabaska): Mr. Speaker, this is the fifth—

(Text):

Mr. Speaker: Order. I must inform the house that if the hon. member speaks now he will close the debate.

Mr. Pickersgill: Question.

(Translation):

Mr. Theogene Ricard (St. Hyacinthe-Bagot): Mr. Speaker, it is rather amusing to see the Liberals take the attitude they are adopting now. This is not the first time that the matter of bilingual cheques has been on the order paper of this house. On several occasions in the past, a measure similar to that of the hon. member for Drummond-Arthabaska (Mr. Boulanger) has been submitted for approval by this house and on each occasion, the bill was delayed with the result that again today we have to discuss it—

Mr. Boulanger: Question.

Mr. Ricard: —and our hon. friends have had all the time they needed—

An hon. Member: You have had it too.

Mr. Ricard: —to make a decision on this matter. However, today they act as they always did, they recommend one thing and do another.

They certainly recall the days when the hon. member for Beauce, Dr. Raoul Poulin, year in and year out, used to introduce in the house a piece of legislation similar to the one introduced today by the hon. member for Drummond-Arthabaska.

I went through the official record for years prior to 1957, and made a particular study of the speeches made, in reference to this legislation, by the hon. members for Maisonneuve-Rosemont (Mr. Deschatelets), for St. Denis (Mr. Denis), for Levis (Mr. Bourget), for Hochelaga (Mr. Eudes) and for Richelieu-Vercheres (Mr. Cardin), and, to my great surprise, Mr. Speaker, I have not been able to find, except a short—

Mr. Bourget: Allow me, Mr. Chairman, to raise a point of order. I understand the hon. member for St. Hyacinthe-Bagot has referred to me as one of those who dealt with this bill. Could the hon. member indicate the page and the date of the speech I am supposed to have made.

Mr. Ricard: The hon. member for Levis is going too fast. He is trying to put in my mouth words I have not said. I said that I had searched the record prior to 1957 in order to know what stand had been taken by the hon. members I mentioned a minute ago, and I was just going to say that none of them, except the hon. member for Maisonneuve-Rosemont, had anything to say with respect to this bill in the past.

Mr. Bourget: Mr. Speaker, on the same point of order and again on the same question, I submit the member has intimated that I had spoken to the bill now before the house.

Mr. Ricard: I said exactly the opposite.

Mr. Bourget: Mr. Speaker, I am positive that tomorrow, the official report will show that he actually said he had searched *Hansard* in order to scrutinize speeches made by the hon. members for Maisonneuve-Rosemont, St. Denis and myself. Then, I can only conclude that he is suggesting—

Mr. Tremblay: No, no.

Mr. Bourget: If you would let me talk, perhaps we could understand each other better.

Mr. Tremblay: Exactly—you do not understand.

(Text):

Mr. Speaker: I take it the hon. member by way of personal explanation is correcting the statement that he had spoken in this debate when in fact he has not spoken on this bill at all?

Mr. Bourget: That is the situation, Mr. Speaker. The hon. member said a few moments ago that he had searched through *Hansard* and found that the hon. members for Maisonneuve-Rosemont (Mr. Deschatelets), St. Denis (Mr. Denis) and Levis (Mr. Bourget) had spoken in regard to this bill. I must say that I have not said a word in regard to this bill.

Mr. Speaker: We have the assurance of the hon. member for Levis that he did not speak on this bill. I understood that the hon. member for St. Hyacinthe-Bagot (Mr. Ricard) asserted that he had spoken on this subject in years past but not in respect to this particular bill. In any event the hon. member has made it clear that he has not spoken before on this bill.

(Translation):

Mr. Ricard: Mr. Speaker, I was saying that I had looked up *Hansard* to make sure—let us give the hon. member for Levis the benefit of the doubt, let us say that I looked up *Hansard* to find speeches, but he rose a little too soon, because I was going to say that I had found no speech of the hon. members of the opposition, except the one delivered by the hon. member for Maisonneuve-Rosemont, who talked out the bill before the house on January 31, 1957.

I should like—

Mr. Richard (Ottawa East): Just as you are doing now.

Mr. Ricard: The hon. member for Ottawa East (Mr. Richard) had ample opportunity himself, when he was a member of the Liberal administration—

Mr. Boulanger: That was four years ago—

Mr. Ricard: You had many opportunities to adopt such a bill if you had wanted to. But in keeping with your habit, you had one policy for the province of Quebec and another for the rest of the country. That is exactly what you have always done—try to divide and rule.

I have here, Mr. Speaker, an article of the newspaper *Le Devoir* of February 7, 1958, which I should like to quote in part:

> The subject of bilingual cheques is not new. It has been discussed since the creation of family allowances at the end of the war. It is a known fact that the federal government had thought of issuing two sets of allowance cheques—bilingual cheques in the province of Quebec and English cheques for the other provinces in confederation.

Well, Mr. Speaker, that is evidence that the Liberals advocated two policies, one for Quebec and another for the rest of the country. It is a requirement of their political education. They always follow the same policy—divide and rule.

I continue:

> French Canadians protested against such a rule which was inspired by the Quebec reserve thesis and requested bilingual cheques for the whole country in accordance with the spirit of the constitution. They soon referred to the fact that family allowance cheques were not the only cheques issued by the federal government, even if there were more of those and they asked that all cheques like currency be bilingual.

The Conseil de Vie française was our spokesman. On the eve of the 1953 election, it sent a delegation to Ottawa to submit a brief on bilingual cheques to Mr. Douglas Abbott.

The association made repeated representations to the different ministers of finance who came afterwards—i.e. Walter Harris and Donald Fleming. These representations were always well received but gave limited results.

In the commons, the independent member for Beauce supported these claims by introducing year after year a very well written bill that would have settled the question once and for all. His efforts were not useless since they forced the four federal political parties to accept the principle of a reform.

All that, Mr. Speaker, happened under the former Liberal government. That government could have given us bilingual cheques. But it did not.

Now that the Liberals are in the opposition, they demand that the government take steps they refused to take themselves.

I resume my reading of the article:

A quarter of a century ago, parliament and the nation had to deal with the question of bilingual currency. In those days as today, a Conservative government was in power in Ottawa and the Liberals who had been deaf to our demands, suddenly found themselves most zealous in the opposition.

Ever since the Liberal party has been confined to the cold regions of the opposition, they have felt a sudden outburst of patriotic and bilingual fever.

It still remains that they never did anything.

To further the expansion of bilingualism, the present Conservative government favours it not only in government buildings, but everywhere.

Indeed, everybody knows that the Department of Public Works is at present substituting bilingual traffic signs for unilingual ones.

The Liberals have been in power for 22 years and apparently, they never noticed this anomaly which the Conservative government is pleased to correct.

I would add that the Conservative government has no advice to take from the Liberal party in that respect and in many others.

Here is another proof of that. It was under a Conservative government led by the Right Hon. R. B. Bennett that the currency minted in Canada was worded in French. Never before that had the Liberals dared take such a step. Never before had it occurred to them that there should be some French on our currency.

It is therefore R. B. Bennett who had the honour of having bank notes printed in French for the first time.

The purpose of the present resolution is to have negotiable instruments printed in both languages in Canada.

This motion should not have been introduced by a private member, because it calls for a spending of moneys and it rests with the government alone to introduce such a bill.

Be it as it may, hon. members may rest assured that, at the right moment, bilingual cheques shall be printed. And again a Conservative government will be the one to take steps in the interest of bilingualism.

For those reasons, Mr. Speaker, I trust that the Minister of Finance (Mr. Fleming), when he deems advisable to do so, will give this country bilingual cheques, not only for the satisfaction of Conservative members, but for that of all the people of Canada, much to the regret of the Liberal members who, during the long years when they were in office, have not found time to do anything in that field.

(Text):

Mr. Hazen Argue (Assiniboia): Mr. Speaker, I am very pleased at this time to speak in strong and very sincere support of the bill now before us.

An hon. Member: Did you ever speak in its favour before?

Mr. Argue: My record on this subject is consistent. In spite of the interruptions I hear from the opposite side I would suggest that the record is a consistent one and I am very proud to be able to speak at this time in support of what I think is a very important piece of legislation. This is a bilingual country; it is a bicultural country and I think it behooves members of parliament to recognize this fact.

The hon. member for St. Hyacinthe-Bagot says that this government, or at least the Conservative party, will provide for bilingual cheques at the opportune time. I suggest that now is the opportune time. I ask why should we wait? For what reason are they delaying? I am certain that this measure would receive the unanimous support of this house now as it has on former occasions and that instead of talking it out a member of the cabinet should rise in his place and say that the government is prepared to accept the measure and to issue the proper instructions that instruments referred to in this measure be made bilingual.

It is easy for hon. members opposite to say, "Well, the Liberals should have done this. Why did they wait so long? They were here for 22 years and they failed to replace the plaques in the House of Commons by

substituting bilingual plaques". Well, if there have been mistakes in the past surely that is no excuse for continuing the mistake in this field. Why hark back to something that happened years ago when there are things that should be corrected now? To blame people for what happened over a 22-year period is certainly no excuse for talking on this bill at length, if that should be the position of hon. members opposite, and failing to bring it to a vote.

I am prepared to congratulate the government whenever it makes a move in this direction, but when criticism is justified I think that criticism should be made. Although for some years some of us have said that there should be placed within the employ of the government, that is within the civil service, at least two persons, one to instruct French speaking people in the English language and the other to instruct English speaking people in the French language, this has not been done. I do not know why this has not been done. Some members of parliament at any rate have been pressing it. There was a professor by the name of Edouard Peloquin who came to Ottawa periodically from Montreal one or two days a week to assist some of us in studying the French language. He was unable to continue his trips to Ottawa because of financial problems. The classes were not paying and he was losing money and was not able to finance these trips out of his own pocket. Some of us intervened with members of the government—

An hon. Member: Order.

Mr. Argue: If you can talk about the ordering of plaques by the Department of Public Works, surely we can talk about this matter. When we intervened the answer was, "It is too complicated; we have tried and it cannot be done". I say it is a disgrace to this country that the government has failed to provide a teaching staff to enable highly placed civil servants to learn both languages, and the record of the government is not nearly as good as was stated in the house this afternoon by the preceding speaker.

I said that we do not have to go back to mistakes of the past. We can talk about the things that should be done now and the passing of this measure is one of the things that should be done now. I am confident that not only will this kind of proposal receive the support of the C.C.F. members of parliament if we have an opportunity to vote on it but this kind of recognition of the bilingual and bicultural nature of our country will be recognized, I am confident, in all its aspects by the New party whose program—

Some hon. Members: Oh, oh.

Mr. Argue: Hon. members can snicker. They may think it is a joke but I do not think the question of bilingual cheques and the bilingual nature of this country are anything to snicker about.

Mr. Nesbitt: You are the joke.

Mr. Argue: My friend can get up and speak if he likes, but I am certain it is the Conservative party that is lagging in this regard. I am confident that the hon. member for Drummond-Arthabaska—

Mr. Nesbitt: Will the hon. member permit a question? Is the hon. member aware that in the Department of External Affairs at least—I cannot speak for other government departments—civil servants are given extra allowances to learn another language?

Mr. Argue: Mr. Speaker, I think the allowances should be increased. Apparently very few are taking advantage of them because the number of bilingual people in the Department of External Affairs does not in any way reflect the bilingual nature of this country. It may be that some efforts have been made but they are feeble and inadequate efforts. One of the strengths of our nation is the bilingual nature of our country. One of the strengths of Canada in international affairs lies in the fact that we are a bilingual country. Let parliament itself, let all parties in the House of Commons recognize this fact by passing this bill and not have any part in delay and obstruction which would prevent the bill from coming to a vote.

(Translation):

Mr. J. J. Martel (Chapleau): Mr. Speaker, it gives me pleasure to take part in this debate on Bill C-6, introduced by the hon. member for Drummond-Arthabaska, in view of the fact that as early as 1959, I had placed my views on the record with regard to this matter.

In my humble view, it would not even be necessary to vote such a bill because, as the hon. member for Assiniboia (Mr. Argue) indicated a moment ago, the government could make this move without any legislative amendment. In fact, that was the view I expressed in 1959, and while I of course support the principle of this bill, I am still of the same opinion.

At that time, I argued that the problem could be settled through a government decision. As a matter of fact, I am sure the government will settle the matter in due course, despite what may be said to the contrary by our good friends in the opposition and even by members of the C.C.F. party, or the New party as it will soon be called, because as I understood the remarks

just made by the present leader of the C.C.F. and perhaps the future leader of the New party, he more or less disowned the remarks previously made in this house by another member of his party either in regard to this matter or with respect to bilingualism.

I referred a moment ago to the suggestion which he says was made years ago for the provision of courses for unilingual civil servants. I have not been a member of this house very long, but I do not think that suggestion was made so many years ago. I rather think it was made this year, when the new Civil Service Act came up, by the hon. member for Timiskaming (Mr. Peters).

I have no doubt that the teaching of English to French speaking civil servants and the teaching of French to English speaking civil servants would help solve the problem of bilingualism. However, it would not settle the whole problem which we considered when discussing that bill.

But to come back to the bill before us, with regard to the opportunity of enacting legislation to provide for the printing of negotiable instruments in both English and French, I think we did approve some bill to this effect before. It is, of course, another bill altogether and I do not want to deal with it, but it is more complete. I refer to Bill C-31 submitted by the hon. member for Joliette-L'Assomption-Montcalm (Mr. Pigeon) and which, to my mind, is more explicit than the one introduced by the hon. member for Drummond-Arthabaska.

I shall not discuss it in detail, because I would be out of order since we are not allowed to deal with another bill when discussing a particular measure. However, I simply want to remind hon. members that I still think such legislation is unnecessary, and that the government can always take action in this respect. However, if the question were put, I say that I would still believe the other bill introduced by my colleague from Joliette-L'Assomption-Montcalm to be more adequate.

Mr. Boulanger: Oh, oh.

Mr. Martel: Of course my hon. friend from Drummond-Arthabaska thinks this is very funny. I have no objection to his finding the matter hilarious. He can hardly be blamed for not having submitted his bill earlier, when his party was in power, because at that time he was in fact like myself, not a member of this house. Indeed, if my memory serves me well he had himself elected as an independent, and I think he would have done better at that time to join the Conservative party. His bill would be enacted today, not straight away, perhaps, but he might have come to some understanding with the hon. member for Joliette-L'Assomption-Montcalm to have his bill adopted.

Mr. Boulanger: Never, never.

Mr. Martel: In any event, Mr. Speaker, I refer to the discussion which took place in 1959 on the matter, when the hon. member for Drummond-Arthabaska introduced an identical bill. At that time, I took part in the discussion in which various things were mentioned, like the constitutional guarantees with regard to the rights of the French and English languages and of bilingualism, guarantees which every year are more widely recognized, especially since the Conservative party came into power. It was referred to in some newspaper items and more particularly in an editorial printed in *Le Droit,* part of which I will read into today's record in a few moments, if I may do so, Mr. Speaker.

The various opinions expressed at that time were described as strange in some newspapers. I know that mine in particular was considered rather strange because it was said that although I was a French Canadian I was seeking to kill the bill. Such was not my intention, since I had already said that the government could implement such a plan without the necessity of making amendments to the act. Anway, I feel that the attitude of our opponents who just took part in the discussion is not less strange, since now they are endeavouring to take credit for such legislation, which was introduced for the first time, as everybody knows, by the independent member for Beauce (Mr. Poulin). I am referring more particularly to the year 1956. It is true I was not in the house then, but I have looked into that matter. I should like to come back to the editorial quoted a moment ago by the hon. member for St. Hyacinthe-Bagot to the effect that when the Liberals were in power nothing was done to help pass the bill introduced by the former independent member for Beauce.

Not only that but when that bill came before the house in 1957, the Liberals resorted to all sorts of tricks and tactics behind the scenes. They even had statements in the press, trying to ridicule the hon. member for Beauce, Mr. Raoul Poulin, saying that he was seeking to bury his own bill, which was completely false, for if there was one who fought for bilingualism in this house, it is the former independent member for Beauce.

Mr. Speaker, in concluding I should like simply to record in *Hansard* part of an editorial which appeared in *Le Droit* of February 14, 1959 and dealing with a debate on bilingual cheques which had taken place a few days before. This article was written by Mr. Pierre Chaloult. It is too long to be read in full, unless my hon. friends would allow my recording it in *Hansard* without first reading it. Anyway, I can quote a few excerpts which seem most relevant. I quote:

> The matter which is now raised in this connection is that of bilingual cheques, according to the request made by the independent member for Beauce, during the second last federal session, Mr. Raoul Poulin.

And further on, the article refers precisely to the opinion I expressed in 1959, which I mentioned again a moment ago, and goes on to say:

> But there remains a very simple way of avoiding all those inconveniences, without displeasing, French speaking Canadians, since the Minister of Finance, Mr. Donald Fleming, has merely to repeat, in 1959, the action taken once by Mr. Pierre Véniot. Mr. Fleming may, in fact, close the debate forever by telling the house that he has, on the very day, or the day before, or when it pleases him to do so, given instructions for the printing of federal government cheques in both official languages of this country.
>
> Since this bill would interfere with nobody's rights or convictions, no one should complain about it.

Well, Mr. Speaker, I think that would be the solution. We would not have to vote any legislation in that regard.

I believe that the government has the power to do so and will do it at the first opportunity.

Since the Conservative party took over, many necessary measures have been adopted.

We are now in the midst of a debate which has already been going on for days and we have seen several lengthy debates on various matters.

Besides, the Conservative government has already shown its goodwill in relation with the establishment of integral bilingualism in Canada by giving us simultaneous translation and by appointing a perfectly bilingual governor general. Furthermore, several other measures of a similar nature have been passed, which very clearly indicate the good intentions of the Conservative government in the matter of bilingualism. So, I have no fear in stating that it will give us bilingual cheques at the earliest possible date.

Obviously, there is still a very important matter to settle, that of the Bank of Canada. For many years, that institution has been issuing bilingual bank notes. The Senate is now discussing a bill concerning the position of the governor of the Bank of Canada, and I know that the views of this house will finally prevail and that the present governor will be dismissed. I hope, furthermore, that the Conservative government will soon give its approval to the issuance of bilingual cheques.

Mr. Speaker, I close my remarks and leave the floor to another member who would like to deal with this matter.

Mr. J. P. Deschatelets (Maisonneuve-Rosemont): Mr. Speaker, my remarks will be brief, but I do not want to let this debate come to an end without straightening out a few facts.

First, I should like to commend the hon. member for Drummond-Arthabaska (Mr. Boulanger) for introducing this measure.

This is a simple bill, and only one thing is important here, namely to vote the bilingual cheques. I do hope that the house will have an opportunity to vote on the matter before six o'clock.

Now, Mr. Speaker, I find that some hon. members have referred back to earlier periods such as in 1956. In considering the whole question of bilingual cheques, I should like to ask them to go over the *Hansard* of the time. They will find that in 1956, when the Liberal party was in office, a special committee was set up and that the names of the members of that committee are recorded in *Hansard*. Moreover, I think it was the hon. member for Joliette-L'Assomption-Montcalm (Mr. Breton) who was then chairman of that committee.

A vote was taken previously in this house on this matter of bilingual cheques, in January 1958, and I am pleased to remind our Conservative friends, who seem to have a weak memory in this respect, that the Liberals without exception voted in favour of bilingual cheques. On the other hand, I must say that at least nine government members voted against the scheme, when the Conservative party was in office.

Mr. Speaker, I find that the Minister of Veterans Affairs (Mr. Churchill) is at his desk. If what I am going to say about him is untrue, he may rise and I shall be glad to withdraw my statement. If I remember correctly, the minister voted at the time, namely in January 1958, against the adoption of bilingual cheques, together with nine of his colleagues, and at the time—

(Text):

Mr. Churchill: Has the hon. member verified that statement? On a point of order, may I ask the hon. member if he will give the reference in *Hansard* to indicate the accuracy of his statement.

Mr. Deschatelets: I am glad to put the record straight. Before doing so, I said that if I was wrong I was ready to apologize. Here are the names of the nine Conservative members who voted against this measure concerning bilingual cheques.

Mr. Churchill: What is the page?

Mr. Deschatelets: The page of *Hansard* is 4322, for January 31, 1958, French edition. The names are Messrs. Hales, Hodgson, Kennedy, McGregor, Milligan, Noble, Small, Smith (Calgary South), Wratten.

Mr. Churchill: I accept your apology now.

Mr. Deschatelets: No, I agree that the name of the Minister of Veterans Affairs (Mr. Churchill) is not there. However, I am still right when I say that nine Conservatives voted against a similar measure, and no Liberals have ever voted against such a measure in the only vote that has been taken in this house on this subject so far as I can recall. I simply wish to put the position clearly.

Mr. Churchill: Will the hon. member—

Mr. Deschatelets: No, I have the floor, Mr. Speaker. The minister can speak afterwards.

(Translation):

Mr. Speaker, I must add that at the time I naturally voted with the Liberal party, because our party was unanimous.

A few moments ago, the hon. member for St. Hyacinthe-Bagot (Mr. Ricard) dealt with the matter of bilingual currency. May I tell him that in 1935, a Conservative government, in order, as he so well put it, to divide and rule, divided our currency. The currency printed in French was for Quebec and the currency printed in English for the nine other provinces.

Mr. Ricard: That is what you did with those bilingual cheques, with the family allowance cheques.

Mr. Deschatelets: In a report on what happened in 1935, published by the *Globe and Mail* of Saturday, July 1, 1961, I find this:

(Text):

Red serial numbers appear twice on the face with the prefix A on the English notes and F on the French notes.

[Mr. Deschatelets.]

(Translation):

On the other hand when we took over in 1936, that is 25 years ago, we established bilingual currency for the whole country, one currency for one country and—

(Text):

Mr. Argue: Hear, hear.

(Translation):

Mr. Deschatelets: And here, according to *Hansard* of June 11, 1936, the former leader of the Conservative party, Mr. Bennett, had this to say in respect of that legislation, and I quote *Le Droit* of June 10 1961:

Twenty five years ago—
The Conservative leader R. B. Bennett objects to bilingual currency, saying that a minority should not impose its will upon a majority. He insists that the section of the Bank of Canada bill, which contains the promise that bank-notes will from now on be bilingual, should not be left in the bill.

Now, I hope that the Conservative members who like so much to talk about their former leader, Mr. Bennett, who after his defeat, it will be recalled, standing on the gangway of a liner, turned to one of his supporters and said, with tears in his eyes: "At last, I am going back home".

Well, I suggest to my Conservative friends, when they speak about bilingual currency, to tell exactly what happened. It is the Liberal party which gave Canada bilingual currency and many more references will be found in *Hansard* on this subject.

These last few days, the Minister of Public Works (Mr. Walker) made much of the fact that he had bilingual signs put up in the parliament buildings. I had no intention of mentioning this, but since he raised the matter himself, may I ask him to be more practical, for the sake of bilingualism, and see that elevators are run by bilingual operators.

Now, Mr. Speaker, the opposition not only has indicated their approval of bilingual cheques this afternoon but their intention of voting in favour of the bill.

Moreover, I should like to congratulate the C.C.F. leader—

Mr. Ricard: On a point of order. The hon. member for Maisonneuve-Rosemont has just hinted that the parliament's elevator operators do not speak French. Some operators speak French just as there are some who speak English. I wanted that fact recorded in *Hansard*.

Mr. Deschatelets: Mr. Speaker—

Mr. Deputy Speaker: There is no point of order. I could add, however, that that remark was not too relevant.

Mr. Deschatelets: Mr. Speaker, in reply to what has just been said, I should just like to state that if the Minister of Public Works fully wishes to respect bilingualism—it was fine of him to have bilingual signs put up—he should see to it that the parliament's elevators are operated by bilingual employees.

Mr. Ricard: There are bilingual operators.

Mr. Deschatelets: I have nothing else to say—

Mr. Ricard: Some of the operators are bilingual.

Mr. Deschatelets: Some of them are not.

Mr. Ricard: There are some, just like when your party was in power.

Mr. Deschatelets: I was saying that the parties of the opposition are in favour of that bill and are quite anxious to vote on it.

I also wish to congratulate the leader of the C.C.F. party for the stand he has taken.

Those are the remarks I wanted to put on *Hansard*. I hope it will be possible for us to vote on the bill before six o'clock.

(Text):

Mr. W. L. M. Creaghan (Westmorland): Mr. Speaker, in rising to take part in this debate I wish first of all to place on the record a statement to the effect that I am in favour of the principle of this bill. We have had a very short debate on the subject of bilingual cheques. However, this subject under discussion has been before parliament on numerous occasions in the past. A similar bill was introduced by the same sponsor in 1959 and was debated in this house during the month of February of that year.

Although on the face of it the bill is a very simple one, the subject matter is of great importance. At the present time government cheques are issued in the English language in some parts of the country while other government cheques are issued in the French language. The debate in 1959 disclosed that, in addition to having English and French cheques, we have some cheques printed in both official languages. I believe the hon. member for Parkdale (Mr. Maloney) mentioned the fact that cheques of the St. Lawrence seaway authority and cheques of the C.B.C. were printed in both official languages. Hon. members who have spoken today, as have others in the past, suggested that legislation may not be necessary. I am one who supports that principle. However, debate on the principle is certainly necessary.

The explanatory note has not been mentioned today but for the purpose of the record I think some reference should be made thereto. It simply states that the purpose of the bill is to provide that cheques, drafts, et cetera, and any other similar remittance of any department as defined in the Financial Administration Act shall be printed in both the English and the French languages. All hon. members and the public at large are familiar with the fact that currency under the Bank of Canada Act is bilingual. This has worked out satisfactorily and without any hardship or inconvenience. Bringing forth bilingual or bilingually printed cheques, et cetera would also be something easy to administer.

It was amusing to hon. members to hear the house leader of the C.C.F. speak in support of this bill. I believe all hon. members are generally in support of it. However, unlike the hon. member for Assiniboia, none of us is trying at this hour to appeal to the delegates who will soon be assembling at the convention in this city. Perhaps the delegates will listen to his words today and those from Quebec will be influenced by his statement.

I think the government as such is probably in favour of the principle because it was this government during this parliament that brought forth simultaneous translation of the debates of this house. Since then the record will show that this parliament has had more debate in the French language than has any parliament in recent years. In addition, it was this government that selected and appointed an outstanding Canadian of French origin to be Canada's first French speaking, native born governor general. Not long thereafter it was this government that supplied the funds in order to permit the C.B.C. to open the first French language television station east of Quebec. That station was opened a couple of years ago in Moncton, New Brunswick, a bilingual city supporting both the English culture and the French culture. After the opening of the television station this same government permitted the Canadian National Railways at great expense to construct a second microwave set-up in order to make it possible for the people of eastern New Brunswick and satellite areas to have daily live television emanating from Montreal owing to the existence of this second microwave facility.

Consequently, it should be very easy for hon. members on all sides, and particularly supporters of the government, to use their influence in order to convince the government of the importance of taking the necessary steps to implement the demand or request introduced by this bill. It may not require legislation to do so. However, the government must have an expression of the wishes of the people. I refer not only to the expression of the feeling of members of the House of Commons but editorial comment which may possibly follow this debate.

The constitution of 1867 provided for a certain amount of bilingualism, including debates in both languages in this house and the printing in both languages of statutes of the legislature of Quebec and of federal statutes. In 1951 the census return showed that, apart from Quebec, there was great growth in the numbers of French speaking persons in Canada. According to the census of 10 years ago, in 1951 the province of New Brunswick was 38 per cent bilingual. I suggest that when the results of 1961 are published the growth of French speaking people in Canada—again apart from Quebec—will once again be substantially increased and this increase will occur primarily in New Brunswick, particularly the northern part of the province and the east coast.

I am not one who says that this bill must necessarily be adopted by vote today. I make that statement because I feel that is not the way a government which believes in tradition does things. It would be wrong for hon. members supporting the government to simply sit back and permit such a bill to become law. Changes of this type which are of national importance, changes that affect the feelings of many people must be fully considered and then introduced by the government by way of administrative action or by necessary legislation. It is for that reason, and for that reason alone that I would be inclined to vote against this legislation at this time.

I have in my riding not only a French T.V. station, as was mentioned a few moments ago, but also the only daily French newspaper published east of Quebec. I also have in my riding a French radio station owned by the C.B.C. These news media, radio, press and T.V. have done much in the past few years to acquaint the English speaking people with the culture of their French neighbours throughout eastern New Brunswick. I know that the situation existing in my riding also prevails in many parts of Ontario. Hon. members from Ontario have spoken in previous debates in favour of this bill. I mention particularly the hon. member for Parkdale who spoke on a similar bill in 1959.

In conclusion, Mr. Speaker, I should like to quote from the hon. member's speech as reported at page 643 of *Hansard* of 1959. At that time the hon. member said, quoting his words as reported at page 203 of *Hansard* for 1957:

> I am of the belief that our nation is a greater nation because of the historical association of two great races of people, the English and the French. They have lived side by side, more often than not, in harmony and good will. Out of this association has developed a nationality which makes us, not only a more interesting country in the eyes of the world but an example in tolerance and understanding.

[Mr. Creaghan.]

Mr. Boulanger: Question.

Mr. Speaker: The hon. member for York-Scarborough.

Mr. McFarlane: Mr. Speaker, I just wish to take up a few moments of the time of the house on this matter—

Mr. McGee: I understood you to have recognized me, Mr. Speaker.

Mr. Speaker: Yes. The hon. member for York-Scarborough.

Mr. Frank McGee (York-Scarborough): Mr. Speaker, before coming to the principle of the bill I should like to comment briefly on the contribution made by the hon. member for Assiniboia. I regret very much that he is not in the house at this moment. I know it is quite improper to impute motives to any hon. member in debate, so perhaps I can suggest what I have in mind this way, that one might be forgiven for coming to the conclusion that an event in the not too distant future has prompted a sudden interest on the part of the hon. member for Assiniboia in certain French Canadian delegates who might be at that convention. I might say we all wish him well in his endeavours at that convention, recognizing that the fact he is here in the House of Commons places serious limitations on his activities in that connection.

The contribution of the hon. member for Assiniboia was typical in many other respects. He rose; he stated his point of view and then asserted in a vigorous manner that, having heard from the hon. member for Assiniboia, we should all sit down, be quiet and vote. This is a pretty typical attitude of that group except when they happen to be discussing something that serves their purposes in another way.

I would remind the hon. member for Assiniboia of the statement made by the respected hon. member for Kootenay West when speaking on another matter not dissimilar to the proposition suggested in this bill. As reported at page 1326 of *Hansard*, the hon. member for Kootenay West had this to say, and I commend these words to the hon. member for Assiniboia:

> Mr. Speaker, I rise because I have a few words to say on this resolution. Let me say first I think it is a good thing, whether or not we come to a conclusion tonight, that we discuss this question.

The question at issue at that time, of course, was a national flag. I submit, with deference to the hon. member for Kootenay West who is in the house and listening most attentively—that this subject is in the same category as the one being discussed at that time. But the most typical thing about the remarks of the hon. member for Assiniboia was his

trigger-like action. First he demanded that we have teachers summoned from all points of Canada to train our civil servants to speak both languages, and he was off and flying on this demand. He was perhaps overlooking several constitutional impediments, but let that matter stand aside for the moment. Then upon being interrupted by the hon. member from Oxford and being advised that in the department of which the hon. member has such distinguished knowledge this practice is in effect, that allowances for this purpose are given, without halting, breathing or interrupting himself the hon. member for Assiniboia said the allowances must be raised immediately; something is wrong; those are inadequate allowances, and must be raised. That somehow seems to sum up the New Party, C.C.F.—call them what you will—attitude on things generally: whatever it is, we do not know what it is, but it is not enough.

Mr. Peters: Mr. Speaker, I wonder why it is the hon. member was not educated himself in this way in that department?

Mr. McGee: Mr. Speaker, to come back to the principle of this bill, it has been my privilege on a number of previous occasions to speak in support of this proposition. As I see my time is coming quickly to a close I should like to place on record and bring to the attention of the house the attendance in the gallery of Mr. Joe McCulley, the very well known warden of Hart House, who in his own way has had a great deal to do with one aspect of bilingualism. I refer to the University of Montreal and the University of Toronto week-end exchanges of young English speaking people from the province of Ontario and young French speaking people from Montreal. These young people have exchanged visits through the winter. On one occasion I had the privilege of attending one part of that program, albeit a social part, and I can commend it highly. I should like to commend Mr. McCulley for his part in that program.

At six o'clock the house took recess.

AFTER RECESS

The house resumed at 7.30 p.m.

CANADIAN NATIONAL RAILWAYS

PROVISION FOR CAPITAL EXPENDITURES, ISSUE OF SECURITIES, ETC.

The house resumed consideration of the motion of Mr. Fleming (Eglinton) for the second reading of Bill No. C-121, to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways system for the period from the 1st day of January, 1961, to the 30th day of June, 1962, and to authorize the guarantee by Her Majesty of certain securities to be issued by the Canadian National Railway Company, and the amendment thereto of Mr. Pickersgill.

(Translation):

Mr. J. A. Habel (Cochrane): When the house adjourned at five o'clock for the hour devoted to private and public bills, I was just saying that we were quite justified in asking the minister to provide more information to the house. I think the hon. members opposite, at least those who have sat in the opposition, will agree that it is the duty of the opposition to give close scrutiny to the legislation placed before parliament, and that the essential duty of the opposition is to seek all the necessary information, particularly when it comes to a substantial amount such as we are asked to vote in Bill C-121, involving as it does an expenditure of $178 million.

The Minister of Transport (Mr. Balcer) stated this afternoon that it was impossible to appoint the five new directors before the proclamation of the relevant legislation. It is therefore the responsibility of the opposition to ask the government, in the hope that the Minister of Finance (Mr. Fleming) will reply, what is holding up the government in proclaiming this act which was passed weeks ago in the house.

Furthermore, what is the government doing with regard to the four present directors and the president of the C.N.R., whose terms of office expired last September. The opposition surely is entitled to ask these questions, and it is also entitled to a reply. This afternoon, reference was made in the house to the fact that a few days ago, the Minister of Transport was finally forced, I would say, to admit before the house that he personally got along fine with the president of the C.N.R. The fact remains, however, that parliament is entitled to know, as the hon. member for Burnaby-Richmond mentioned this afternoon when he ventured out on rather dangerous ground, that the committee report clearly indicated who would be the next president of the C.N.R. As I say, parliament has a right to insist on being told the name of the president who will have to see that the $178 million dollars we are being asked to vote are properly spent. Parliament is also entitled to

know whether this time, as it happened before, the Prime Minister will not interfere and prevent in some way or other, according to what the hon. member for Burnaby-Richmond said this afternoon, the appointment of the person recommended by the railway committee.

It seems to me that we are entitled to expect answers to those questions.

Is the government waiting so as to appoint puppets that the Prime Minister will be able to handle as he pleases?

The Canadian people must depend on the opposition to know what goes on behind those underhand practices. Deceived in the last four years by visions that are turning to be disillusions, it is time that parliament knew whether the country is run by one man or by a government made up of a responsible cabinet. It seems to me that the time is past when a one-man government could prevail over an informed parliament knowing where a one-man government might lead a country.

It is time, Mr. Speaker, to have those questions answered and cabinet members should give us the answers instead of beating around the bush for fear of giving away a great secret—the secret of government by one man, who calls all the tunes for the ministers to dance to.

The amendment now before us, Mr. Speaker, is a very responsible one which, on behalf of the Canadian people, asks for an announcement concerning the board of directors which will be called upon to spend the not inconsiderable amount of $178 million.

(Text):

Mr. D. M. Fisher (Port Arthur): Mr. Speaker, we do not agree with the amendment and will, of course, vote against it. We have already indicated that we support the measure and look upon it as being largely routine.

In regard to what appears to be the desire of the official opposition to debate this measure more thoroughly, I think they should have a certain amount of compassion for the Minister of Finance, as I am sure he is busy and has many things on his mind. I know there is another place where he would probably like to be and no doubt he hopes to get there very soon. I am sure the sooner he is given that opportunity the sooner there will be a rising barometer in respect to his mood and general attitude toward life.

It seems to me that in their remarks hon. members of the official opposition are overbuilding the issue with regard to who the directors are going to be and whether the appointment of Mr. Gordon as both chairman of the board and president is going to be renewed. We have a certain number of directors at the present time, although there is a shortage of one as a result of the unfortunate death of Mr. Bickle. But judging from the information we have had before our parliamentary committee, I do not feel that there is any indication that the board of directors is that important or that vital in so far as the day to day operations of the railway are concerned. While we are very much in sympathy with the bill that increases the number of directors, we do not feel that the fact there has been a delay in appointing them is a vital issue in any way. It may reflect what is a characteristic of the government, namely procrastination, but in this particular instance it does not seem to me that it is fundamental.

I indicated on second reading, Mr. Speaker, we do not think Mr. Gordon can continue in an indefinite position, but again in the short run we do not think it is working any hardship on the railway. In fact, it may be helping to keep him on the move in meeting the problems that the railway has at the present time, particularly with regard to this most grievous problem of morale. Therefore the bill comes down to being not an issue of the directors or of Mr. Gordon's position, whether definite or not, but whether the C.N.R. is going to be provided with money. I think a much better argument could be made against—

Mr. Macdonnell: Does the hon. member advocate that as a general policy, that is, the state of uncertainty, to promote efficiency of officials?

Mr. Fisher: No, I do not think so, but I do not know of any group that is more in a state of uncertainty than members of parliament and I have never thought that this particular uncertainty did any harm. As a matter of fact many people would say this is one of the great merits of elections and their prospects; it keeps us all in jeopardy.

Mr. Pickersgill: Would the hon. member permit me to ask him a question at this point. The hon. gentleman said he does not think that the uncertainty of being a member of parliament has any effect on our efficiency. I would ask the hon. gentleman whether he thinks that applies equally to people who have administrative responsibilities, instead of loquacious responsibilities, as we have?

An hon. Member: As you have.

Mr. Browne (Vancouver-Kingsway): Speak for yourself.

Mr. Pickersgill: I speak for the hon. member.

Mr. Fisher: As far as loquacity is concerned, it seems to me, as I have sat here

listening to the Liberals, that one could become tremendously irreverent and begin to sing "Show me the way to go home". But I suppose the house is something like an Ontario beer parlour and singing is not allowed. I was almost tempted this afternoon, as the debate dragged on, to launch into that.

Mr. Crestohl: Will the hon. member permit one more question? Would the hon. member favour the philosophy for employees?

Mr. Fisher: In so far as employees are concerned, no. I think employees should know where they stand. But in this particular case Mr. Gordon has been left in charge. I should like to see him go, but it is quite apparent to me that he is not going to go.

An hon. Member: Despite all those Tory wolves.

Mr. Fisher: If the official opposition want an issue relating to the spending of money, why do they not get involved in a discussion of the money that is probably coming from this bill that is going into the expansion of the Canadian National trucking operations? It seems to me they would have a real issue there. I know the Liberal opposition is a free enterprise party. They believe in the extension of private competition wherever possible.

An hon. Member: In theory.

Mr. Fisher: I saw a report in the Montreal *Gazette* this morning that the trucking association of Quebec is appealing to the government to disallow the licence of Midland Superior, one of the large trucking companies bought, we understand, for approximately $2 million by the Canadian National Railways. We discovered in the committee meetings that the C.N.R. has put the money to one side and has not even paid it yet. The deal is hanging fire. Apparently they do not want to go through with the deal because they are afraid Quebec will cancel this trucker's licence. Truckers in Quebec are protesting that Midland Superior, because it is running apparently under a kind of phony ownership at this time, should not be allowed to carry on. This, it seems to me, would be a real issue to offer the opposition in terms of the debate of this bill as being a reason why they should block the bill, rather than the lesser issue of the uncertainty under which civil servants are operating.

It seems to me, Mr. Speaker, I was one of the first advocates in this parliament of, not so much uncertainty for civil servants, but of a bit more dash and drive on the part of this government to get away from the big excuse that one encounters all the time from government members. That excuse seems to be that "many leading civil servants are not really pulling with us." There is a kind of grudge; a chip on the shoulder attitude. Many members of the government somehow feel they have not had the co-operation, the liaison, the confidence and support of so many people at the head of the public service. It is difficult for an outsider, such as an opposition member in a case like this, to judge. I do not know really whether it is the case. The point is that if the government members feel this way they should move and they should have moved long ago. This is the point that I would bring up in so far as the president of the C.N.R. is concerned, or even with regard to the governor of the Bank of Canada. But, as I say, I think we should expedite this bill and allow the Minister of Finance to get off and prepare for what I would expect to be sure to follow, namely his visit to the other place.

Mr. Pickersgill: Before the hon. gentleman takes his seat may I ask another question? Do I understand the hon. member to agree with the hon. member for Restigouche-Madawaska who entertained us rather irrelevantly this afternoon in his—

Some hon. Members: Oh, oh.

Mr. Pickersgill: —assertion that the C.N.R. should be run as the Intercolonial was run; in other words, there should be no independence of management and no merit system and the government should appoint all the employees?

Mr. Fisher: I just finished going through certain parts of Colonel Stevens', his first volume on the history of the C.N.R. I recall a story drawn from New Brunswick to the effect that with respect to the Intercolonial, a gravel pit that should have cost $5,000 wound up costing the Intercolonial $500,000. This was many years ago. I must admit I believe it was under a Liberal administration. Certainly we should not go back to that state of affairs.

Mr. Pickersgill: Surely that is what the hon. member wanted. May I be permitted to ask the hon. gentleman one more question. Is the hon. gentleman suggesting, as he seems to be, that the government backbenchers were quite right in suggesting the government should fire all the senior civil servants and put in a lot of Tories? Is the hon. gentleman not really suggesting that that would be the end result?

Mr. Fisher: No. My point is that a government should have complete confidence in its senior public servants.

Mr. Pickersgill: Hear, hear.

Mr. Fisher: Where it has not got complete confidence it should not have the excuse referred to, even in its own mind. It should do something about it. The point I was trying to make was that this government in this kind of situation has not indicated its intention. After all, I have been fired off jobs. I do not see why any civil servant should necessarily complain if he is fired for the reason that the government does not think he is doing an efficient job. My point is that the government did not move and has not moved in many cases—

Mr. Pickersgill: That is my point too.

Mr. Fisher: —and yet it is trying to use that excuse.

Mr. Pickersgill: Perhaps I might be permitted one more question if the hon. member is agreeable. Does my amendment not say that the government should either put up or shut up, and should the hon. member not vote for it?

(Translation):

Mr. Gabriel Roberge (Megantic): Mr. Speaker, we now have before us Bill C-121, the title of which reads as follows:

An act to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways system for the period from the 1st day of July, 1961 to the 30th day of June, 1962 and to authorize the guarantee by Her Majesty of certain securities to be issued by the Canadian National Railway Company.

What is the government asking of us by this bill? It is asking us to vote, for the benefit of the Canadian National Railways, a sum of $178,900,000. The hon. member for Bonavista-Twillingate (Mr. Pickersgill), during the debate on second reading, moved the following amendment:

(Text):

That all the words after "that" be deleted and the following substituted therefor:

"this house declines to give second reading to a bill providing large sums for capital expenditures on the railway system while the house is not possessed of the identity of those, namely, the chairman and members of the board of directors, who will be responsible for the making of such expenditures."

(Translation):

The government is asking us to vote the sum of $178,900,000 for the Canadian National Railway Company; a crown corporation. Why? To refinance that crown corporation.

It seems to me that we have a right to know before agreeing to vote such an imposing amount, who are the people who will be appointed to administer the C.N.R. in the coming year. At this point, we are still in the dark. Perhaps the ministers do know. Perhaps the Minister of Transport (Mr. Balcer) does know. But certainly parliament does not know.

Mr. Speaker, the comments made by the hon. member for Restigouche-Madawaska (Mr. Fournier) somehow surprised me. Incidentally, may I commend him for rising this afternoon to give his maiden speech in this house.

I am most surprised that a former minister of the crown from one of Canada's provinces should make the statement on constitutional theory he did this afternoon. He said, in fact, that it was up to the government to vote the necessary sums of money. I always thought that the members for the house were responsible for such control.

We are not only asked to give a cheque of considerable value to the C.N.R., but we are not even to be told in whose name that cheque will be made out. The company is, at present, administered by a president appointed from day to day whose term of office may expire overnight.

A bill was adopted on May 22 last, authorizing the government to increase the number of directors of the C.N.R. from seven to 12. There are, consequently, five directors to be appointed.

The minister told us then that he had in mind to appoint some fine Canadians. The Minister of Transport would surely not appoint a bad Canadian as director of the C.N.R. But one thing remains: these appointments are the responsibility of the government. Almost seven weeks have passed since that bill was carried. And it was said at that time that the bill would be put into effect as soon as proclamation would be given. What keeps the minister from going to his colleagues from the cabinet and telling them: "Now is the time to act; now is the time to proclaim this legislation". What keeps him from making his colleagues see reason? Would he, by chance, not have his word to say in the cabinet? Is this a one man government, who would appoint his own creatures to the board of directors of the C.N.R.?

We have been accused of repeating ourselves in this debate as well as in many others. But we are compelled to repeat ourselves because here is a government which refuses to take action when the time has come to act. Here is a government which refuses to take its responsibilities. The present government beats about the bush and waits until things have come to a crisis before settling problems. It is notorious for its confusion, irresponsibility and irresolution.

Mr. Speaker, the hon. member for Port Arthur (Mr. Fisher) has stated that we should look into other questions, for instance the trucking industry. I would like to point out that we will have an opportunity of discussing that point when the bill is before the committee. Right now, we are debating the amendment which has been moved. That point was raised by the hon. member for Maisonneuve-Rosemont (Mr. Deschatelets), amongst others. We will consider it when the bill is examined in committee and we will take that opportunity to ask the minister to what precise use those $178.9 million will be put.

Mr. Speaker, I should like to urge the minister once more to take his responsibilities and to see that Bill C-94 is proclaimed, so that the new C.N.R. directors may be appointed.

(Text):

Mr. Arnold Peters (Timiskaming): Mr. Speaker, I wish to say a word or two on this matter. I am not of the opinion that we should refuse to make this money available to the C.N.R. because it is a maintenance grant in lieu of revenue and really is in the form of a loan to maintain the operations of the railway; yet I am in agreement with the fact that the government is not to be trusted in the making of appointments when it gets around to doing so. In parliament we have only certain methods of enabling the government to do what we wish it to do and one of them is by the voting of money to make these things possible.

We have seen what has happened in the case of some of the appointments made by the government. When these people were under pressure from the government they did things that they were not willing to do of their own free will. Not because the government has the responsibility for appointing these people and probably not because of the responsibility we expect them to have to parliament but because of the responsibility that we have to parliament itself, I believe it is exceedingly important that we must examine and on the basis of our knowledge be very cautious about appointments the government makes.

It is quite possible that Canadian National Railways is not being operated properly and will not be operated properly unless the right people are appointed to the board. On many occasions my colleague, the hon. member for Port Arthur, has shown his reluctance to support the chairman of the board. I was not a member of the railway committee this year but I am told that when he appeared before it his attitude had changed. He did make some suggestions. He did, so to speak, turn over a new leaf. I believe that now it is the responsibility of the government to tell us, during the discussion of this bill, what their intention is in relation to his reappointment. The government should tell us whether they are going to appoint to the board people who are capable and qualified and who have the interests of the trucking industry at heart. It seems to me that trucking is becoming a greater and greater part of the transportation system known as Canadian National Railways, and it seems to me that the easiest way to make it impossible for us Canadians to afford a national railway system is to appoint people who are not qualified to speak for the trucking industry.

I believe, therefore, that we as members of parliament have a right to know who the directors are going to be. I believe we have the right to know whether they are being appointed for political reasons or whether they are being appointed because of a certain aptitude for the job they will be asked to do. Having in mind the remarks that have been made in the newspapers during the last two or three days about a board of directors, most of whom were appointed by this government in recent years, which made a decision and then for political reasons or under political direction made a complete about-face, I do not believe it is unfair for us to request this information. While it is not my intention to hinge our support of this measure on this request, I think it is important that, as members of parliament, we should give much closer attention to appointments to boards of directors of crown corporations. It seems to me there is a lack of good sense or good business judgment exhibited in the picking of directors for these companies. It would appear that in the case of one member of a board, to whom reference has been made in this house, the appointment depended entirely on the size of the contribution made to a candidate during the last election campaign.

I can see no reason why the minister cannot give us some indication of when these positions will be filled and who will fill them before we are called upon to pass this measure. This money will be used for the maintenance of the railway and it is necessary, therefore, to vote against the amendment which, in effect, would kill the loan that is to be made to Canadian National Railways. I do not believe our good judgment will permit us to pass on matters of this nature for much longer without being better informed than we are at the present time.

The house divided on the amendment (Mr. Pickersgill) which was negatived on the following division:

Division

YEAS

Messrs:

Badanai	Lessard
Batten	Loiselle
Benidickson	Macnaughton
Bourque	McMillan
Cardin	McWilliam
Carter	Martin (Essex East)
Clermont	Matheson
Crestohl	Mitchell
Deschatelets	Nixon
Dumas	Pearson
Eudes	Pickersgill
Forgie	Richard (Ottawa East)
Garland	Roberge
Habel	Tardif
Leduc	Tucker—30.

NAYS

Messrs:

Aiken	Lennard
Aitken, Miss	Macdonnell
Balcer	MacEwan
Barrington	MacLean (Queens)
Bell (Carleton)	MacLellan
Bell (Saint John-Albert)	McCleave
Best	McDonald (Hamilton South)
Bigg	McFarlane
Bissonnette	McGrath
Bourbonnais	Martel
Brassard (Chicoutimi)	Martineau
Browne (St. John's West)	Martini
Browne (Vancouver-Kingsway)	Matthews
Cadieu	Monteith (Verdun)
Campbell (Lambton-Kent)	Montgomery
Campbell (Stormont)	More
Cardiff	Morissette
Casselman, Mrs.	Morton
Charlton	Muir (Cape Breton North and Victoria)
Churchill	Murphy
Comtois	Nasserden
Cooper	Nesbitt
Creaghan	Nugent
Crouse	Pascoe
Diefenbaker	Peters
Dinsdale	Phillips
Drysdale	Pratt
English	Rapp
Fairclough, Mrs.	Regnier
Fane	Ricard
Fisher	Rogers
Fleming (Eglinton)	Rynard
Flemming (Royal)	Small
Fournier	Southam
Grenier	Speakman
Grills	Spencer
Gundlock	Starr
Hamilton (Notre Dame de Grace)	Taylor
Hamilton (York West)	Thomas
Harkness	Tremblay
Herridge	Valade
Horner (The Battlefords)	Villeneuve
Johnson	Vivian
Jorgenson	Webb
Knowles	Weichel
Korchinski	White
Lahaye	Winch
Lambert	Winkler
Legere	Wratten—98.

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

[Mr. Peters.]

On clause 1—*Short title.*

Mr. Benidickson: Mr. Chairman, the minister is of course introducing an annual bill; it is required every year. This year I think the annual expenditures are perhaps lower than we have experienced for some years. On the other hand we know that the committee on railways, air lines and shipping owned and controlled by the government was confronted not only with a capital budget that may be reduced but also with operating reports which indicate that last year the railway had an unprecedented deficit notwithstanding capital revision. The situation that concerns many of us is the fact that for 1961, despite the forecast of the Minister of Finance that we might have an increase in gross national product, we will still have a deficit of $64 million in this most important crown company.

In addition to that, only in the last portion of Bill No. C-121 do I find clauses in language unsimilar to that of those which we have met every year heretofore. There we have a very interesting and significant matter. I think this committee should concern itself with this matter because we have a proposal from the government to defer responsibility in two or three items upon which this house reached a decision ten years ago when there was another revision of the capital structure of the Canadian National Railways.

I think three clauses of this amending bill for 1691 are simply items of procrastination, and they are important items of procrastination. They refer to deferment of interest that might otherwise have been paid to the crown by this crown corporation on two or three items of concession given to the Candian National Railways ten years ago in 1951 in the revision of its capital structure. I hope the Minister of Finance will not be offended when I say this is rather typical of the procrastination in respect to decisions for which this government has been noted in recent times.

I indicated at the resolution stage that these capital revisions are of great consequence and I am not going to repeat myself in respect to that tonight. However, I indicated at that time that there had been write-offs to the extent of $700 million in 1951 and now a prospective write-off of an equivalent amount is to be postponed for one year. I think the minister should give us some indication when we are considering matters of this importance as to the direction in which the government might be leaning.

This government is now familiar with the testimony the chairman of the board of directors has given to the committee of this

house during its sittings this year. In view of the write-offs in 1937 and in 1951 of these gigantic amounts, in each case almost $700 million, I think the minister should explain why this government is not willing to face up this year to those obligations which were made evident by the statute some ten years ago at which time there was a revision following the royal commission. What is the reason behind the failure of this government to face up to its obligations rather than asking us by means of three new clauses in this annual bill to defer this obligation? What is the reason for the procrastination and indecision on the part of this government in carrying out its obligations made evident in at least two statutes? I refer, of course, to the Canadian National Railways Refunding Act revision of 1955, and of course the basic Canadian National Railways Refunding Act of 1951. The debts incurred as a result of those two revisions normally would require interest payments.

The main difficulty as I see it is that this government is nonchalantly evading its obligation to make a decision in respect to the management of the Canadian National Railways and is again asking for a deferment. This measure indicates procrastination and indecision on the part of the government in respect to this important matter of which it should obviously have been aware because of the statutes of some ten years ago to which I have referred. At that time it was known that the expiry date would be 1960 or 1961. Yet by these three clauses in this bill we are now being asked to give the government a blank cheque, further time and condonation in respect to its indecision and procrastination. I think the minister should indicate the reason for this inasmuch as it was known some ten years ago that this would be required either this year or last. It was known ten years ago that the chickens would come home to roost this year. I ask the minister to explain to this committee why he is now asking us to condone this indecision, because obviously there is to be no decision in this regard this year, despite the fact that he promised last year that there would be. I ask the minister why this committee should now give this government a postponement by adopting the subclauses of this bill, the effect of which will simply give the government another year to make up its mind.

Mr. Fleming (Eglinton): Mr. Chairman, the hon. member is discussing matters pertinent to three specific clauses in the bill. I will be glad to discuss those matters when we reach consideration of those clauses, being No. 11, No. 12 and No. 13.

The Acting Chairman (Mr. McCleave): Shall clause 1 carry?

(Translation):

Mr. Roberge: I should like to deal with the matter of the trucking industry in Canada as related in particular to the C.N.R.

I think that, when we come to clause 3, I shall also take the opportunity to put questions about that matter to the Minister of Finance (Mr. Fleming).

We have learned on June 29 last, in a letter from Reimer Express Lines Limited addressed, I think, to all members, that the East-West Transport Limited, a crown corporation financed by the crown, was one of those who were cutting rates in the trucking industry. We were also informed in a telegram sent to all members that the C.N.R. proposes to ask the Quebec provincial transport board permission to buy certain trucking companies. Needless to say the telegram was a protest against such a request.

We were given the opportunity to see the brief submitted in November 1960 to the Minister of Transport (Mr. Balcer) by the Quebec trucking association, a brief prepared by Mr. Camille Archambault, assistant to the chairman of public relations of the association. The brief shows on page 4 that the association includes:

> —1,046 members, owners of motor transports with more than 15,000 commercial vehicles for public transportation.

If the Canadian National Railways start buying out private trucking companies, they certainly are going to offer disastrous competition—to say the least—to small businesses with considerable transportation as well as handling personnel.

I quote Mr. Archambault's remarks, on page 4:

> The intrusion of railways into highway operations would certainly have serious consequences for the users and professionals in that field, as well as for our economy as a whole.

In my opinion, Mr. Chairman, the proposed C.N.R. request—it may be pending before the provincial authority at present—should not be made or should not have been made. I know that some will object that the federal government has no business interfering with the administration of the provincial board of transport and I agree. But obviously the Canadian National Railways

may or may not apply for such authority to purchase trucking companies to operate a highway transportation system in the province of Quebec or anywhere in Canada for that matter.

When we come to clause 3, I will ask the minister if in the amount mentioned there is something toward the purchase of such a system of road transportation.

(Text):

The Acting Chairman (Mr. McCleave): Shall clause 1 carry?

Mr. Pickersgill: Before clause 1 carries, sir, in a rather menacing tone on my amendment on second reading the minister said that if this bill was not passed very promptly great harm would be done to the Canadian National. Would he specify what harm that would be?

Mr. Fleming (Eglinton): Mr. Chairman, those who are familiar with the purposes of the bill and with the resolution that preceded it will be aware that the bill authorizes the provision of money to meet certain capital expenditures of the C.N.R. for the period from January 1, 1961 to June 30, 1962. This bill provides authority for certain capital expenditures which, unless the bill is passed very quickly, will be impeded.

Mr. Pickersgill: Can the minister cite one single expenditure that has so far been delayed because of any delay in the passage of this bill?

Mr. Fleming (Eglinton): I am informed that funds pursuant to the provisions of this bill will be required by July 15.

Mr. Pickersgill: The minister cannot assure us that there has been anything delayed because the bill has not passed.

Mr. Fleming (Eglinton): I was informed, Mr. Chairman, that if the bill was not passed through all its stages by the 15th, which means this week, so that money will be released under its terms, then those programs would suffer.

Mr. Pickersgill: Can the minister say which programs?

Mr. Fleming (Eglinton): The whole program which depends upon the release of funds by July 15. They require funds by July 15.

Clause agreed to.

Clause 2 agreed to.

On clause 3—*Capital expenditures authorized.*

Mr. Benidickson: In this clause, Mr. Chairman, we have perhaps the central concern of all of us in passing this legislation, because it refers to capital expenditures which make this annual bill necessary. In his capacity as Minister of Finance, can the minister indicate to us when we might reach the stage where depreciation might approximate the capital requirements of the Canadian National Railways? We now have to provide loans for capital investment in this crown company as a result of which depreciation amounts to $120 million a year, I think. I see the Minister of Transport in his seat. Perhaps he might have some views on this subject to assist the Minister of Finance. When we get into the position where depreciation alone on capital assets that have resulted from appropriations by parliament is about $120 million, are we going to be asked in future years for capital advances that actually increase the over-all debt, and capital requirements that exceed the equivalent of normal depreciation rates on this vast asset in the Canadian National Railways?

Mr. Fleming (Eglinton): I would not wish to hazard an answer to that question. The depreciation accruals for 1961 are estimated at $108.1 million.

Mr. Benidickson: I said about $120 million.

Mr. Fleming (Eglinton): The figure I have is $108.1 million.

Mr. Benidickson: It is $118 million, is it not?

Mr. Fleming (Eglinton): No, $108.1 million.

Mr. Roberge: Will the Minister of Finance now tell us whether the Canadian National Railway has made a request to the provincial transport board of Quebec for permission to acquire certain trucking companies?

Mr. Fleming (Eglinton): That I do not know, Mr. Chairman.

Mr. Roberge: Does the Minister of Transport know the answer to that question?

Mr. Balcer: Repeat your question.

(Translation):

Mr. Roberge: Could the Minister of Transport say whether it is true or false that the C.N.R. has filed an application with the Quebec transport board with a view to acquiring certain trucking companies?

Mr. Balcer: Yes, that is the information I have received.

Mr. Deschatelets: I should like to know from the Minister of Transport whether he has received a telegram from various trucking associations in Quebec, protesting this attempt by the C.N.R. to get into the Quebec trucking business?

(Text):

Mr. Balcer: The answer is yes, Mr. Chairman.

Mr. Roberge: Would the minister indicate to us whether in the amount that we are being asked to vote, especially in the material item, of approximately $14 million, any money is provided for the purchase of trucking equipment?

Mr. Fleming (Eglinton): I am told that there is $6 million in round figures in this capital budget for highway equipment of all kinds. This includes some owned by the railway.

Mr. Roberge: If the minister has the information can he tell us what are the transport trucking companies that the C.N.R. is thinking of buying at the present time?

Mr. Fleming (Eglinton): Mr. Chairman, I have not that information but I do not know that it is ever given in advance of acquisition. It would be an extraordinary thing if before acquisition or during negotiations the Canadian National Railways were asked to make public its intention of making approaches to some companies with a view to arriving at a bargain with them. That would not be a conceivable way of carrying on business.

Mr. Roberge: Surely, Mr. Chairman, if the Canadian National Railways has made application to the provincial board to acquire some transport companies the approach has already been made. I am told that the minister does not have the information. I am not satisfied with the minister's answer, but I have to accept it.

Mr. Tucker: I should be grateful if the minister would advise whether any consideration is being given to enlarging the Newfoundland hotel in St. John's in view of the increased population of the city. St. John's now has a population of approximately 80,000. In view of the fact that in 1958 the Newfoundland hotel had a profit after allowance for interest and depreciation of approximately $153,000, $152,000 in 1959 and $152,000 in 1960 or more than $450,000 in three years, and in view of the existing conditions and the hardship on the travelling public in trying to secure hotel accommodation, would the minister advise whether any consideration is being given to the enlarging of the Newfoundland hotel in St. John's?

Mr. Fleming (Eglinton): There is no provision in this capital budget for the enlargement of that hotel.

Mr. Deschatelets: I should like to know whether Mr. Gordon, before making application to the provincial transport board, discussed the matter with the Minister of Transport.

Mr. Fleming (Eglinton): The hon. member heard the answer of the Minister of Transport on the subject.

Mr. Benidickson: Mr. Chairman, in clause 3 dealing with capital expenditures we have a very substantial item involving branch line construction. This usually involves ancillary legislation related to particular new lines for which parliament takes responsibility and not the C.N.R., and included in the bills would be an authorized expenditure. We merely give to Canadian National Railways the administration of these roads. So many things are so long delayed this session, and although there was a reference in the speech from the throne to the desirability of proceeding with the Pine Point railway from the point of view of assisting in an upturn in the economy, we know that about six months have elapsed and nothing has been done.

I believe that under branch line construction on page 2 of the bill there is some provision for the Pine Point railway. We are now over half-way through the calendar year 1961. How much is likely to be expended in the calendar year 1961 on construction of the Pine Point railway?

Mr. Fleming (Eglinton): That will depend, of course, on action by parliament. It will not be possible to undertake construction until parliament has passed the necessary enabling legislation.

Mr. Benidickson: The minister wants to be fair and he knows that this bill includes not only authorization to the C.N.R. We do not hold up the C.N.R. This is a massive bill in so far as the authorization of capital expenditures is concerned. We are authorizing this capital budget of Canadian National Railways for the calendar year and, in fact, we go beyond that. In another clause of the bill we assure that the railway is not going to be held up and that in the first six months of the subsequent year it is going to have funds so that it can go ahead with a project such as I have described. What we are doing tonight in looking at this legislation has nothing at all to do with the programming of the Pine Point railway. There is a reference to $10 million in the contingency fund of Canadian National Railways for the Pine Point railway. I am simply asking the minister how rapidly is that money going to be spent? How rapidly is construction of the road likely to progress? To what extent will there be expenditures in the calendar year 1961?

Mr. Fleming (Eglinton): I do not think anyone can answer that at the moment. One would have to know when parliament is going to take action on the measure on the order paper. There is provision, as the hon. member has indicated, by way of contingency to meet this or any other opportunities that arise for the construction of branch lines, but I cannot indicate to the hon. member what amount is likely to be expended during the present calendar year because I do not know when parliament is going to authorize construction of the Pine Point railway.

Mr. Roberge: Mr. Chairman, I suppose the minister is aware that in lower town in Quebec city there is a building belonging to the C.N.R. I was told that it was the intention of the C.N.R. to expand or make alterations or improvements to the building or possibly even to construct a new building there. In the $14 million is there any amount provided for that purpose?

Mr. Fleming (Eglinton): I understand not.

Mr. Benidickson: Mr. Chairman, admittedly in clause 3 of the bill there is a substantial amount of capital requirement that involves a completely owned subsidiary of Canadian National Railways, Trans-Canada Air Lines. The amount is almost $20 million. Does this involve capital commitments made irrespective of the policy of the government with respect to a possible enlargement of the activities of the chief competitor of Trans-Canada Air Lines? I refer to Canadian Pacific Air Lines which now has a limited franchise. As far as I am aware, Trans-Canada Air Lines executives say that the air line can go forward successfully only if it is not faced with undue competition in the domestic sphere. Are these expenditures of almost $20 million to be made by Trans-Canada Air Lines irrespective of any decision that might be made by the air transport board which might increase domestic competition on the part of Canadian Pacific Air Lines?

Mr. Fleming (Eglinton): Yes.

Mr. Benidickson: The commitments have already been made for these capital expenditures. I assume that they involve up to date jet planes, that the orders have perhaps been placed and that irrespective of any decision that is made by the air transport board Trans-Canada Air Lines is committed to these financial expenditures. Is that right?

Mr. Fleming (Eglinton): Mr. Chairman, major expenditures were necessary in 1960 on account of ground facilities and maintenance facilities for the DC-8 and Vanguard aircraft. Of the $39 million for property and equipment in the 1961 T.C.A. budget, $29.5 million relates to programs approved in previous years' budgets. The major new commitments for 1961 are initial payments on the delivery in 1963 of five additional DC-8's—

Mr. Benidickson: 1963?

Mr. Fleming (Eglinton): Yes, delivery in 1963 of five additional DC-8's and the delivery in 1965 of 14 medium range jet aircraft.

Mr. Deschatelets: On page 2 under the heading "Investments in affiliated companies", there is an item amounting to $5,922,000. Has this item anything to do with investment of any sum in the trucking industry?

Mr. Fleming (Eglinton): There is an item of $5 million here for Canadian National Transportation Limited.

Clause agreed to.

On clause 4—*Issue of securities.*

Mr. Herridge: Mr. Chairman, subclause 1 of clause 4 reads:

> Subject to the provisions of this act and with the approval of the governor in council, the national company may issue notes, equipment trust certificates, bonds, debentures or other securities, bearing such rates of interest and subject to such other terms and conditions as the governor in council may approve, to provide amounts required for the purposes of section 3.

My question is this. Would the minister explain to the committee under what circumstances they issue notes, equipment trust certificates, bonds, debentures or other securities, and what the other securities would be? I was interested in the terms of this clause because of the different types of securities given. In what proportion of the total are they usually issued?

Mr. Fleming (Eglinton): This is a standard clause, Mr. Chairman, that has appeared in this bill for some years. As to the practice, I may say that in the case of advances made by the Minister of Finance to Canadian National Railways, these are on an interim basis and are secured by demand notes. So far as equipment trust certificates are concerned, I believe there has not been a case of the issuance of equipment trust certificates in recent years. So far as bonds are concerned, the company has been offering a bond issue on an average of about once a year, sometimes less often and sometimes a little more often. As to debentures and other securities, I do not believe there have been any debentures issued in recent years, as distinguished from bonds.

Mr. Herridge: What would the other securities be? I would be interested in that.

Mr. Fleming (Eglinton): I am not aware of any other form of securities that the company

has issued in the last four years. This is an enabling provision which has been well established. Of course, in the case of privately owned companies these various forms of security would no doubt be used, depending on the circumstances. The circumstances would dictate the particular form that the security would take. These are all well recognized forms of security in the case of privately owned companies.

Mr. Herridge: Does the company ever give mortgages on its property as security?

Mr. Fleming (Eglinton): No, it has not in my time, Mr. Chairman.

Clause agreed to.

Clauses 5 to 8 inclusive agreed to.

On clause 9—*Minister may place amounts at disposal of company.*

(Translation):

Mr. Deschatelets: I have a question to ask, Mr. Chairman, with regard to clause 9. This clause deals with the amounts paid by the C.N.R. to the trucking service.

If the income proved inadequate, could the C.N.R. under clause 9 apply to the Minister of Transport (Mr Balcer) for more funds, and could the minister, with the approval of the governor in council, make the additional money available?

Is my interpretation correct?

Let me put it more clearly. Could the C.N.R., assuming that receipts from the trucking service proved inadequate, come back for additional funds, and get the requested funds subject to the approval of the governor in council? Is my interpretation correct?

(Text):

Mr. Fleming (Eglinton): The deficits on any particular line, Mr. Chairman, or a particular operation of the total system are lumped, in the end, in the total financial report and figures of the entire system.

Mr. Deschatelets: If I am right in my assumption, Mr. Chairman, that means that the $6 million that is going to be used by the Canadian National and given to the trucking business is only a minimum.

Mr. Fleming (Eglinton): If the hon. member will permit me to say so, I think he is confusing the current and capital budgets. The figure that was mentioned a little while ago of $6 million related to the capital budget. The hon. member then proceeded to ask me a question about deficits incurred on current operations. What I am saying is that in a huge system like Canadian National Railways system, where there are numerous railway lines some of which are still operated as separate railway lines, as well as other forms of transportation carried on by subsidiary corporations, the total operating statement of the system includes all of those whether the operation of a particular line has resulted in a deficit or a surplus.

Mr. Crestohl: I wonder whether the minister could explain what to me appears to be a contradiction between clause 3 and clause 9. Under clause 3 we are asked that a fixed amount be provided, and subclause 6 states that no amounts shall be spent for a purpose mentioned in this section in excess of the amount authorized. Then, under clause 9, apparently there is provision made to the effect that whatever amounts have been spent in excess of that fixed amount they shall be reimbursed out of the funds of the government. I cannot follow the reasoning. Why, in one clause, are we asked for a fixed sum and why in another clause is it stated that if the company goes beyond that amount they shall be reimbursed out of the national revenues. Would the minister expain that?

Mr. Fleming (Eglinton): Again, if the hon. member would permit it, I would say he is under a misapprehension here. Clauses 3 and 9 are not related. Clause 3 deals with capital expenditures while clause 9 deals with temporary loans by the government for the purpose of meeting income deficits. The two clauses are not related and clause 9 is in no sense a means of providing additional capital funds to the Canadian National Railways in excess of the amount permitted by clause 3.

Clause agreed to.

Clause 10 agreed to.

On clause 11—*Extension of period in respect of which no interest payable.*

Mr. Benidickson: I do not believe the minister made any reply to the remarks I made earlier on this subject. I advanced the criticism that this government should have had adequate warnings and should have provided a new plan before the expiry of the ten year term. I know that we have had a reference to a royal commission. Did the royal commission deal with this particular problem? In what way did it deal with it? What were its recommendations? I take it that what is involved here is really an addition of one year to the ten year term of interest free lending to the Canadian National Railways on a principal sum of $100 million. I am sure the government realized this matter was coming up. It was in the bill that followed the Turgeon royal commission. Why are we avoiding facing up to what is required

here, or am I wrong in thinking that we are really giving another year or an eleventh year of interest free lending to the extent of $100 million to the Canadian National Railways?

Mr. Fleming (Eglinton): No. The hon. member is quite correct. The effect of section 11 is to extend for another year the moratorium on interest on the $100 million loan authorized by the capital revision act of 1952. The reason for this further extension is that this would not have been a suitable time to be undertaking another revision of the capital structure of the Canadian National Railways when the royal commission is studying some matters which are of very great and far reaching importance to railways' financial operations in Canada. I do not suggest for one moment that the royal commission has been asked to make recommendations specifically with relation to the revision of the capital structure of the Canadian National Railways. I do not suggest that at all. However, the fact is that the matters that were referred to the royal commission for study and report are matters that are quite fundamental to the earnings position of the two great national railway systems in this country. It is surely the part of wisdom to await the report of the royal commission before launching into a subject like capital revision. We do not very often undertake capital revisions of the Canadian National system. The last one was to cover ten years. The next one may cover some years. I think the hon. member will agree that it would have been quite unwise to attempt one of these relatively rare and far reaching revisions before we had received the final report of the royal commission on the railway freight rates.

Clause agreed to.

On clause 12—*Continuation for further year of application of R.S., c. 311, s. 6(1).*

Mr. Benidickson: I wonder whether the minister would explain this clause. It seems to me that this is a repetition of a clause we had for the first time in our annual bill of last year. Am I right? This too results from a little procrastination in deciding what is going to be done about further revision of the capital structure of the C.N.R. You concluded debate very properly, Mr. Chairman, on the previous clause; but perhaps in courtesy the minister might just reply to this question. Notwithstanding the sittings of the royal commission, did the minister and the chairman of the Canadian National Railways confer at any time; and did the minister authorize the chairman of the Canadian National Railways to make the proposal he made to the House of Commons committee on railways, air lines and shipping, government owned, with respect to another very substantial write-off of capital debt?

Mr. Fleming (Eglinton): Clause 12 of the bill arises out of the same circumstances as does clause 11. The clause is new but its intent, as the hon. member has indicated, is similar to that of section 11 of the 1960 act. The effect of the clause is to extend the authority for purchase by the minister of the four per cent preferred stock of the company for a period of one year beyond the present expiry date of December 31, 1961.

This is not a matter of procrastination, Mr. Chairman. It is a matter of taking a wise course in the light of the fact that a royal commission is studying the whole question of our railway freight rate structure.

Mr. Benidickson: My question was this, Mr. Chairman. Had the chairman of the Canadian National Railways, prior to his testimony before the committee on railways, air lines and shipping, government owned, discussed with the Minister of Finance his proposal which was described by one member of the committee as a bombshell, namely a suggestion that another $700 million to $900 million of advances by taxpayers to this crown company might be written off on a further capital revision? Was that matter discussed with the Minister of Finance?

Mr. Fleming (Eglinton): Yes. I had communication with the president of the Canadian National system on this subject. There has been an exchange of communications. He has submitted his views to me and study has been given to them. I can assure you, Mr. Chairman, that no decision has been reached.

Mr. Pickersgill: It is hardly necessary.

Clause agreed to.

On clause 13—*Issue of substituted securities: 1955, c. 31, s. 3.*

Mr. Benidickson: I am satisfied with the explanation the minister gave at the resolution stage. What was the date of that stage? I do not have it before me.

Mr. Fleming (Eglinton): Thursday, July 6.

Mr. Benidickson: I thought the minister then explained fully the requirement for this clause. This involves a completely different amendment from the one that was made in 1955. I am satisfied with that explanation. I simply wish to draw attention to the fact that an explanation was given in considerable fullness when the resolution was discussed.

Clause agreed to.

On clause 14—*Auditors.*

Mr. Pickersgill: I should like to ask the minister whether there is in Mr. de Lalanne's contract with the Canadian National Railways or whatever arrangement there is with him any stipulation that he should have leave of absence if he wished to be a Conservative candidate at the next election.

Some hon. Members: Carried.

Mr. Fisher: I assume that the hon. member for Bonavista-Twillingate is not to receive an answer to his question. There was some disappointment on the part of several members of the railways, air lines and shipping committee. I do not think I am taking too much on myself in saying that there was more than one who, without being critical of Mr. de Lalanne's evidence, felt that the annual report of the Auditor General is in many ways too brief and does not contain enough narrative to indicate the various steps taken and the way in which the work is approached and handled. I should like to make a suggestion at this particular time. I understand that he follows what is said in the house about the Canadian National Railways. Perhaps next year, if the minister does not draw it to his attention, the committee will receive from him perhaps more of a preliminary explanation and so would make our inquiry a little more forthcoming for us. I know the hon. member for Greenwood is looking at me. Of course he has experience in financial matters and I suppose chartered accountants and their doings are familiar to him. But Mr. Gordon himself said a number of times in the committee that chartered accountants have a language and a gobbledygook all their own and you really needed a translator. That was somewhat the impression we got from the very terse and very narrow replies we obtained to questions addressed to Mr. de Lalanne.

I would emphasize again that this is not expressed as any criticism of him. I just hope that in future we will get a more thorough explanation, more of an introduction and more of a narrative to indicate just how completely he does the job and how he sets about it. This would give us a better indication of what we can ask him in regard to what he discovered.

The Acting Chairman (Mr. McCleave): The hon. member for Maisonneuve-Rosemont.

Mr. Benidickson: Mr. Chairman, before another hon. member rises there is this question that I wish to ask having heard the hon. member for Port Arthur. I think perhaps inadvertently the hon. member referred to a report of the Auditor General. I am sure he meant the auditor of the Canadian National Railways because it has always been mentioned in debate on this matter that the Auditor General is not the auditor of the accounts of the Canadian National Railways.

Does the hon. member for Port Arthur confirm that when he was referring to the auditor mentioned in the last clause of the bill he was referring to this gentleman who is a private auditor, and not the Auditor General?

Mr. Fisher: I certainly was. Perhaps we have the Auditor General on our minds these days, those of us who were in the broadcasting committee and saw his performance there. Perhaps he looms larger than he really should. I have one final question to ask the minister, if it has not already been put to him. What role is the Glassco commission playing in analysing the Canadian National Railways?

Mr. Fleming (Eglinton): Mr. Chairman, I do not believe the Glassco commission is playing any part in any detailed analysis of the affairs of the Canadian National Railways system. It may be looking at some general features of the relationship to government of this very large system. It would be a huge undertaking of itself to conduct an examination of the whole system internally from the point of view of those subjects upon which the Glassco commission has been directed to make its study and report.

Mr. Fisher: I raise this matter because that commission is doing some work in connection with the Canadian Broadcasting Corporation. That is not as large an organization as the Canadian National Railways, but I think it is No. 2 in government corporations. It seems to me the C.N.R. could be an appropriate field of analysis just as much as the C.B.C., if not more so. I thought the Minister of Finance could indicate whether the Glassco commission is, for example, going to examine the relationship between members of the House of Commons and the C.N.R. in so far as their questions going through the Department of Transport and the cost of them are concerned.

We certainly got the impression from Mr. Gordon in several instances that while the C.N.R. management was prepared to spend a great deal of time getting answers to questions of members of parliament, it was an expensive business and one that took away people from duties that were more intimately connected with the railway. I suggest that as a possible area for the Glassco commission to look at, because it always seems to be a good rebuttal to say to a member of parliament who asks detailed questions, "Well,

look at the inordinate expense. What do you want the information for anyway?

As the minister probably knows, a study was made last year of government organizations. I have forgotten the author, but the work was published by Yale University I think. This man went back through the history of the relationships of these organizations to parliament, and by a long way the Canadian National Railways led all the rest in terms of consumption of parliament's time, volume of questions placed on the order paper and of starred questions. So apparently in our probing we create a great deal of work for the system and perhaps our inquiries cost a great deal of money. This, I underline again, might be an area for examination by the Glassco commission.

Mr. Deschatelets: Mr. Chairman, I have a question supplementary to the point raised by the hon. member for Bonavista-Twillingate. Will the minister be kind enough to tell us when Mr. de Lalanne was appointed? My second question is: is it the same Mr. de Lalanne who was an unsuccessful Conservative candidate for Westmount, I think, a few years ago?

Mr. Fleming (Eglinton): Mr. de Lalanne was first appointed auditor of Canadian National Railways in 1958. He is a very eminent accountant, with a most enviable reputation in his profession.

Mr. Deschatelets: Has the minister any answer to my second question?

Mr. Fleming (Eglinton): No.

Mr. Pickersgill: Such innocence.

Mr. Benidickson: I have no doubt that the Minister of Finance, for whom I have a high regard, with his usual seriousness and attentiveness to his duties has looked at the committee reports. I was not a member of the sessional committee this year but in reading its report I felt that perhaps the report of the auditor should be drawn especially to the attention of the Minister of Finance.

I assume the minister has looked at the report of the sessional committee but I wish to draw his attention to page 401, where it is indicated that capital expenditures on property investment were in the region of $169 million for 1960. Then on page 402 it is indicated that during the year there was an increase of $141 million in long term debt of the Canadian National Railways.

I raised this matter last year and I say it is something to which we have to face up. It is not dissimilar to the situation we have had in the last 10 or 15 years. But when does this increase in long term debt of this magnitude come to a stop? If the minister is not looking into this matter, is he asking somebody outside the Canadian National Railways, somebody in treasury board, to look at the statements of increase in long term debt of the Canadian National Railways compared with the increase in debt of Canadian Pacific Railway?

I have attempted to look into this matter and I know the minister cannot do it personally. I know I cannot. I have had a cursory look each year. But is there a serious study of this matter on the part of the cabinet, which makes available to the Canadian National Railways these massive sums? The long term result is that there is a steady increase in the fixed charges of the railway. As I see it, it is the fixed charges of the railway which are crippling the railway. I am not so sure—

The Acting Chairman (Mr. McCleave): Order.

Mr. Benidickson: Mr. Chairman, this is referred to in the auditor's report, if you look at page 403—

The Acting Chairman (Mr. McCleave): The Chair will need some guidance from the hon. member to determine whether the hon. member is within clause 14 which, as I understand it, deals with the auditing of the Canadian National Railways' accounts.

Mr. Benidickson: Quite. I have reference directly to the report of the auditor who is the man being reappointed and whose report is to be found at page 403 of the proceedings and evidence of the committee on railways, air lines and shipping. I have related my remarks directly to that report, Mr. Chairman.

I do not wish to delay the committee. However, I am very concerned about this and I expressed my anxiety last year. I think there is some substantial reduction this year in the total amount of borrowing required by this crown company. That relieves some of my anxiety and distress. However, the facts are plain if one looks at the auditor's reports of last year and this year. I suggest that an increase of $141 million in over-all capital debt obligations of this railroad in this year plus a debt of $67 million is something deserving of careful attention.

Mr. Fleming (Eglinton): When you said "debt" I take it you meant deficit?

Mr. Benidickson: Yes, I intended to refer to the deficit of $67 million. I should like some assurance from the minister that this situation is receiving consideration. I feel that an investment of $1 billion in improved and efficient equipment of this railroad should enable it to occupy a position of earnings which would show up to more advantage.

However, on the contrary, we have the largest deficit experienced in many years. I am wondering about this increase of $141 million in one year as disclosed in the auditor's report to the House of Commons committee, and I felt that concern was related to this clause of the bill.

Mr. Fleming (Eglinton): Mr. Chairman, I can assure the hon. member that this is a matter of continuing concern and directs attention to the whole question of the capital structure of the system. In 1960 there was a very high deficit amounting to some $67.5 million. There has been no deficit as high. The company did show a net revenue from railway operations of $7,347,000. The huge deficit is accounted for by the burden of fixed charges. At the same time there has been this continuing increase over the years in long term debt. Against that picture must be set the fact that some of the major capital investment programs of the company are coming to a close. The whole dieselization program which naturally has been costly in terms of the amount of investment is now relatively complete, and there will be operating savings as a result of that dieselization throughout the system. However, the matter to which the hon. member has called attention is one which will have to receive very careful study in relation to the proposed revision in the capital structure of the system within the coming year.

Mr. Herridge: Mr. Chairman, there is a bit of confusion in this quarter of the committee as to the reply given by the minister to the hon. member for Maisonneuve-Rosemont when he asked the minister whether Mr. J. A. deLalanne of Montreal, the auditor for the Canadian National Railways, was at any time a federal candidate of the Progressive Conservative party. I am sure the minister wishes the committee to have the facts. Can the minister say that Mr. J. A. deLalanne of Montreal, the auditor for the Canadian National Railways, was not a candidate for the Progressive Conservative party?

Mr. Fleming (Eglinton): Mr. Chairman, I will say that he is a leader in his profession and a very eminent chartered accountant.

Mr. Pickersgill: How coy.

The Acting Chairman (Mr. McCleave): Shall clause 14 carry?

Mr. Fisher: Mr. Chairman, there is one point in connection with the auditor's report which I should like to draw to the attention of the minister. When the auditor was being questioned in the committee on railways, air lines and shipping I asked him certain questions about the trucking operations of the C.N.R. I should like to quote a portion of that discussion which is to be found at page 405 of the minutes of proceedings and evidence of the sessional committee on railways, air lines and shipping. I asked the following question:

> In your work this year did you go into the operations and the accounts of these subsidiaries?

Mr. de Lalanne replied as follows:

> Once these companies were actually 100 per cent or partially owned C.N.R. companies, I naturally considered it was part of my duty to satisfy myself with regard to whatever was being accumulated in the accounts of the C.N.R., for consolidation in these statements, and that the accounts were reasonably accurate, the same as I would in regard to hotels, telecommunications, and other things.

Now that I have looked at that statement in retrospect comparing it with the fact that Mr. Gordon indicated to us that Midland Superior, which is the largest of the trucking subsidiaries purchased by the C.N.R., is not included as actually being owned by the C.N.R., I would very much appreciate knowing whether Midland Superior came under audit in 1960. It has been suggested by other members that these trucking operations are in a peculiar position. I would certainly feel much better about that particular aspect of the Canadian National Railways trucking operation if we knew that it was being audited by the auditor for the Canadian National Railways. In view of the explanation given at page 405 of that report to which I have referred there is certainly some doubt in my mind that this is so. I felt this was a point worthy of bringing to the minister's attention for many reasons, not the least being because the president of the C.N.R. indicated that the profit from his particular company which apparently the C.N.R. does not own and does not show in its books was enough to balance the losses it incurred through the other trucking subsidiaries that it purchased. We have a most unusual situation here which I think is worthy of the minister's attention, and I should like to ask him to check with the auditor in this regard.

Mr. Herridge: Mr. Chairman, I should like to ask one final question in respect to this bill. Some 12 or 13 years ago a former minister of fisheries, who was the humble member for Coast-Capilano introduced a private member's bill which provided that the Auditor General would audit the book of accounts of the Canadian National Railways. If I remember correctly, that time he received some vociferous support from members of the Progressive Conservative party. In view of that support for that private member's bill by some members of the present government when they were in opposition, would the minister inform this committee whether the

government has given consideration at any time to this auditing being done by the Auditor General?

Mr. Fleming (Eglinton): Mr. Chairman, it would not be possible for the Auditor General with his limited staff to undertake the auditing for the Canadian National Railways. To do so would involve a drastic revision of the whole set-up of the Auditor General's office. This involves a major audit and I think hon. members will appreciate that the present organization of the Auditor General is not such that it could undertake this audit.

Clause agreed to.

Title agreed to.

Bill reported.

Mr. Speaker: When shall the bill be read the third time?

Mr. Pickersgill: By leave, now.

Bill read the third time and passed.

DOMINION-PROVINCIAL RELATIONS

AGREEMENTS RESPECTING TAX COLLECTION, ANNUAL GRANTS, ETC.

Hon. Donald M. Fleming (Minister of Finance) moved that the house go into committee to consider the following resolution:

Resolved that it is expedient to introduce a measure to authorize tax collection agreements with the governments of the provinces and to provide that the minister may pay to a province, out of the consolidated revenue fund, in respect of any fiscal year in the period commencing on the 1st day of April, 1962 and ending on the 31st day of March, 1967,

(a) a tax equalization payment;

(b) a provincial revenue stabilization payment;

(c) additional annual grants of ten and a half million dollars to each of the provinces of Nova Scotia, New Brunswick and Newfoundland, and of three and a half million dollars to the province of Prince Edward Island;

(d) a further additional annual grant of eight million dollars to the province of Newfoundland;

(e) where a province does not levy a succession duty, an amount equal to the standard estate tax applicable to the province for the fiscal year; and

(f) advance payments on account of amounts collected under a tax collection agreement that may be entered into with the province.

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

Mr. Fleming (Eglinton): Mr. Chairman, since assuming office four years ago, the government has devoted much time and study to the problem of federal-provincial fiscal arrangements. It has materially increased the return to the provinces from the existing tax-sharing arrangements by raising from 10 per cent to 13 per cent the standard rate on personal income tax; and by introducing the Atlantic Provinces Adjustment Grants, it has greatly broadened the fiscal aid element of federal assistance, and for the first time given full recognition to the special financial disabilities of the Atlantic region. Although it has greatly improved the financial substance of the present arrangements, this government has recognized the weaknesses of the tax rental system which it inherited, both from the provincial and federal standpoint, and has become increasingly convinced of the need for a new approach which would give greater freedom and responsibility to the provincial governments, and which would be compatible with the constitution.

During the past year we have held three dominion-provincial conferences for the purpose of reaching agreement with the provinces on the form of the financial arrangements which should exist after the expiry of the present Federal-Provincial Tax-Sharing Arrangements Act on March 31, 1962. The first of those conferences was held July 25 to 27, 1960; the second, October 26 to 28, 1960 and the third February 23 to 24 of this year.

At the first of those dominion-provincial conferences, held July 25 to 27, 1960, the provinces presented their views on the form the new arrangements should take. Consideration of the financial substance of the provincial proposals made at that first conference will reveal the major weakness of the tax rental system. The provinces, like the federal government, have great and expanding responsibilities. In aggregate, the provincial proposals made at the July conference would have cost the federal treasury something in excess of $2 billion annually, an additional cost equal to more than one third of the total federal revenues for the fiscal year 1960-61. Under such circumstances it became increasingly evident that the tax rental system was unsound. It placed on the federal government the whole responsibility for levying the additional taxes to support large increases in provincial expenditures. The provincial governments assumed no responsibility for imposing the rented taxes on which they depended for revenues nor had they any freedom to amend the rates of these taxes in line with their current needs. Such a system was clearly destructive of provincial responsibility and initiative, and incompatible with the constitution which grants equal access to the federal and provincial governments in these fields of direct taxation.

Accordingly, at the October conference the Prime Minister suggested that the provinces might consider again imposing their own taxes on individual and corporate income, and their own succession duties at such rates as they judged appropriate in view of their needs for revenue. To make the

provincial re-entry into these tax fields practicable, the federal government was prepared to recommend to parliament that the federal tax rates in the three shared tax fields be reduced at the time of the termination of the present tax rental agreements, March 31, 1962, by the amount of the present effective standard rates, that is the so-called 13-9-50 formula.

I should explain that under section 2(3) of the Federal-Provincial Tax-Sharing Arrangements Act the standard individual income tax rate of 13 per cent is altered to compensate for any change in federal income tax rates from the rates in effect January 6, 1956. At the time of the October conference the effective rate determined in accordance with section 2(3) was 13.98353 per cent, or approximately 14 per cent. While offering a reduction in taxes equal to the standard rates the federal government was at the same time mindful of the need to support the revenue systems of the less well-to-do provinces and accordingly offered to recommend the continuation of a system of equalization.

On the basis of the discussion of the suggestions made at the October conference and further intensive study, the federal government advanced certain proposals at the dominion-provincial conference February 23 and 24 of this year. The Prime Minister's statement to the conference appears as an appendix to *Hansard* of February 28. As I stated in my budget speech of June 20, the main proposals were that the tax rental system be discontinued, that the provinces impose their own taxes and that a fair and more realistic system of equalization be introduced. At the same time the federal government undertook to reduce its income taxes to a larger extent than was suggested at the October conference. Instead of reducing the personal income tax by 14 per cent, which is the approximate effective standard rate at the present time, the federal government was prepared to recommend to parliament withdrawing from the personal income tax by 16 per cent in the first year of the agreements and an additional percentage point in each of the subsequent years so that in the final year the withdrawal would be 20 per cent.

This additional tax room was offered to the provinces in the personal income tax rather than in the corporation income tax quite deliberately and for good reasons: first, because of the steadier and more rapid growth of personal income tax yields the personal income tax is a more satisfactory revenue source from a provincial standpoint; second, many corporations operate on a national scale and corporation profits are therefore generally regarded as more appropriate for taxation by the federal government; third, the present provincial share of corporation income taxes is 9 percentage points on corporate taxable income, or about 22 per cent to 23 per cent of total corporation income taxes, so that it is reasonable to increase the provincial share of personal income tax before making any adjustment with respect to corporation income taxes.

In short, the provinces would reassume their constitutional rights and responsibilities to impose and vary their tax levies as they saw fit. At the same time in the interests of administrative simplicity and uniformity and in order to save the provinces the expense of setting up tax collection machinery of their own, the federal government was prepared to collect the provincial personal income and corporation income taxes free of charge provided the provincial tax base was identical with the federal tax base at all times. It was explained that this offer could not be extended to the estate tax since the provinces do not have the constitutional power to levy an estate tax on the federal basis. Accordingly, the federal offer in respect of the estate tax was that any province not levying succession duties would receive half the yield of the federal estate tax while an abatement of 50 per cent of the federal estate tax would be granted as at present to provinces levying their own succession duties.

The proposals presented by the Prime Minister to the conference on February 23 and 24 were discussed at that conference and subsequently received intensive consideration and re-examination by federal and provincial officials at two meetings of the Continuing Committee on Fiscal and Economic Matters. In the light of this further study, the proposals were re-examined by the federal government and a letter was written to the provincial premiers by the Prime Minister on June 16 of this year. This letter was tabled in this house and appears in *Hansard* of June 19.

As the present resolution indicates, the proposal of a system of tax collection agreements to replace the tax rental agreements is a central part of the new approach and is provided for in the bill which I shall introduce. Obviously a system which gives the provinces the right to vary the rates of taxation without imposing on them the administrative burden of collecting the taxes has great advantages for them. It restores the necessary flexibility to the provincial tax system, enabling the provinces to meet increased needs for revenue not only from such sources as the sales tax, the gasoline tax and motor vehicle revenues but from the direct taxes on income which have for the past 20 years been controlled by agreement. The counterpart of

this freedom and flexibility is the independence and responsibility of the provinces. There can be no question that in a healthy federal state in which the goal should be enlightened co-operation rather than centralization, it will be better for the provinces to face up to their responsibilities of levying taxes for provincial purposes in the tax fields which were assigned to them by the constitution.

I referred in my budget speech to the fact that replacing the tax rental agreements by tax collection agreements would also have advantages from the federal standpoint. The provinces will be in the position of having to assess realistically their new proposals for expenditure in the light of their revenue potential rather than placing increasing pressure on the federal government. The federal budget will no longer be inflated by taxation which can and should be imposed at the provincial level. I estimate that for the first year of the new arrangements the adoption of a tax collection system will remove more than $300 million from the federal budget.

I have referred to the fact that the federal government was prepared to recommend to parliament certain reductions in the rates of the federal income tax in order to permit the re-entry of the provincial governments into these fields. The amount of these reductions was set forth in my budget speech. When this government took office in 1957 the standard rates under the tax rental agreements were 10-9-50, that is to say, the provinces received 10 per cent of the personal income tax collections, 9 percentage points on the taxable income of corporations and 50 per cent of the succession duty or estate tax. In 1958 this government introduced legislation increasing the provincial share of the personal income tax from 10 to 13 per cent. With the permission of the house I should like to place on *Hansard* at this point table No. 1 which indicates the increase in provincial revenue which resulted from this increase of 3 percentage points in the standard rate of individual income tax. May I have that leave, Mr. Chairman?

Mr. Pickersgill: Could the minister say what years that covers? Is it all the years since the change was made?

Mr. Fleming (Eglinton): It covers the years 1958-59 up to 1961-62 inclusive.

The Acting Chairman (Mr. McCleave): Does the committee give leave to have this table printed in *Hansard*?

Some hon. Members: Agreed.

[*Editor's note: The table above referred to follows:*]

TABLE 1

EFFECT ON TAX-SHARING ARRANGEMENTS WITH THE PROVINCES OF THE 3% INCREASE IN THE STANDARD INDIVIDUAL INCOME TAX INCLUDING TAX ABATEMENTS

(in thousands of dollars)

	1958-59			1959-60			Preliminary 1960-61			Estimate 1961-62		
	13-9-50	10-9-50	Increase	13-9-50	10-9-50	Increase	13-9-50	10-9-50	Increase	13-9-50	10-9-50	Increase
1. Newfoundland	17,572	16,552	1,020	20,027	18,204	1,823	19,533	18,188	1,345	20,692	18,986	1,706
2. Prince Edward Island	4,269	4,269	—	4,549	4,323	226	4,593	4,593	—	4,739	4,739	—
3. Nova Scotia	28,488	25,843	2,645	31,936	29,029	2,907	30,765	27,662	3,103	32,205	28,981	3,224
4. New Brunswick	23,151	21,102	2,049	26,314	23,917	2,397	25,528	22,953	2,575	26,916	24,215	2,701
5. Quebec	195,943	177,782	18,161	222,950	202,645	20,305	217,259	195,364	21,895	230,000	206,937	23,063
	(61,490)	(53,919)	(7,571)	(73,735)	(65,087)	(8,648)	(73,067)	(63,774)	(9,293)	(77,152)	(67,352)	(9,800)
6. Ontario	241,454	219,527	21,927	273,222	248,692	24,530	265,867	239,350	26,517	282,066	254,157	27,909
	(95,016)	(73,089)	(21,927)	(106,294)	(81,764)	(24,530)	(114,907)	(88,390)	(26,517)	(120,937)	(93,028)	(27,909)
7. Manitoba	34,902	32,541	2,361	39,470	35,880	3,590	38,252	34,755	3,497	40,282	36,244	4,038
8. Saskatchewan	35,628	32,320	3,308	40,232	36,569	3,663	38,725	34,821	3,904	40,503	36,446	4,057
9. Alberta	48,181	43,718	4,463	55,437	50,387	5,050	54,590	49,086	5,504	58,375	52,518	5,857
10. British Columbia	64,762	64,762	—	70,016	67,354	2,662	70,852	70,852	—	73,812	73,812	—
Total including abatements	694,350	638,416	55,934	784,153	717,000	67,153	765,964	697,624	68,340	809,590	737,035	72,555
Total excluding abatements	(413,459)	(368,115)	(45,344)	(468,010)	(412,514)	(55,496)	(470,812)	(415,074)	(55,738)	(495,613)	(436,321)	(59,292)

The calculations for 1958-59 are based on the Final Calculation of Standard Taxes, Equalization and Stabilization Payments for the fiscal year 1958-59 dated Dec. 24, 1959; for 1959-60 on the Final Calculation of Standard Taxes, Equalization and Stabilization for fiscal year 1959-60 dated Dec. 22, 1960; for 1960-61 on the Fifth Estimate of Standard Taxes, Equalization and Stabilization for fiscal year 1960-61 dated Jan. 6, 1961; and for 1961-62 on the First Estimate of Standard Taxes, Equalization and Stabilization for fiscal year 1961-62 dated May, 8, 1961. The Atlantic Provinces Adjustment Grant and the deduction on account of Quebec special corporations taxes are excluded.

The figures in brackets exclude the amount of the abatements.

Mr. Fleming (Eglinton): In 1958-59 this increase was worth $55.9 million to the provinces, in 1959-60 $67.2 million, in 1960-61 $68.3 million, and the estimated value for 1961-62 is $72.6 million or a total of $262 million for the four years.

The withdrawal provided for under the new arrangements is 16 per cent of the personal income tax in the first year and rises by 1 percentage point each year to 20 per cent in the last year, that is, by 1966. Thus the share which the provincial governments will receive of personal income taxation will by the final year of these agreements be double the share which was provided when this government took office. Having in mind the system of Atlantic Provinces Adjustment Grants introduced by this government and the very great rise in federal payments to the provinces on account of conditional grants as well as the increase in other federal responsibilities, the offer to provide for this increased provincial share in the personal income tax is very generous. The offer to increase the withdrawal in the personal income tax from the effective rate of approximately 14 per cent at present to 20 per cent by the end of the next five year period means that the federal government has offered to increase the provincial share of this tax field over the next five years by more than 40 per cent even if the provinces impose taxes no greater than the amount of the federal withdrawal. I should like at this point to place on *Hansard* table No. 2 showing the federal contributions to or for the benefit of the provinces and certain provincial institutions for the fiscal years 1956-57 to date, including the estimated amounts for 1961-62.

The Acting Chairman (Mr. McCleave): Has the minister leave to have this table printed in *Hansard*?

Some hon. Members: Agreed.

[*Editor's note: The table above referred to follows:*]

TABLE 2

CANADA

SUMMARY OF FEDERAL CONTRIBUTIONS TO THE PROVINCES AND CERTAIN PAYMENTS TO INSTITUTIONS IN THE PROVINCES FOR THE FISCAL YEARS 1956-57 TO 1961-62

(thousands of dollars)

	1956-57	1957-58	1958-59	1959-60	Preliminary 1960-61	Estimates 1961-62	Total
A. Unconditional Grants							
1. Statutory Subsidies	20,571	20,571	20,571	20,748	20,689	23,115	126,265
2. Transitional Grant (Newfoundland)	2,250	1,400	1,050	700	350	—	5,750
3. Tax Abatements (estimated)	157,281	275,564	275,119	313,778	303,723	323,464	1,648,929
4. Tax Rental (1)	365,938	213,868	249,039	279,730	288,663	298,837	1,696,075
5. Equalization	—	135,978	143,438	182,985	188,909	190,056	841,366
6. Stabilization	—	3,458	5,676	−2,315	2,327	1,515	10,661
7. 50% share of Income Tax on Power Utilities	6,613	7,360	8,682	4,753	4,226	6,000	37,634
8. Atlantic Provinces Adjustment Grant	—	—	25,000	25,000	25,000	25,000	100,000
9. Term 29 Award (Newfoundland)	—	—	13,550	7,300	7,650	8,000	36,500
Sub-total	552,653	658,199	742,125	832,679	841,537	875,987	4,503,180
B. Conditional Grants							
1. Agriculture	938	1,037	1,864	6,732	3,716	2,036	16,323
2. Health	36,438	34,596	45,909	45,974	47,878	45,373	256,168
3. Hospital Insurance	—	—	54,708	150,593	189,000	274,491	668,792
4. Welfare	38,353	48,149	74,072	90,861	102,935	96,034	450,404
5. Vocational Training etc	4,668	4,765	8,057	8,372	8,677	27,336	61,875
6. Highways and Transportation	26,909	50,943	53,669	56,746	48,696	54,110	291,073
7. Resource Development	2,717	4,314	8,741	15,266	17,946	21,150	70,134
8. Civil Defence	814	968	1,025	1,564	2,966	2,628	9,965
9. Municipal Winter Works	—	—	249	6,584	8,908	26,946	42,687
10. Other	137	72	62	62	—	—	333
Sub-total	110,974	144,844	248,356	382,754	430,722	550,104	1,867,754
C. Payments for the benefit of Provincial institutions							
1. University Grants	16,049	16,558	25,524	26,112	19,008	19,403	122,654
2. Grants to Municipalities in lieu of Taxes on federal property	9,676	17,535	21,852	22,551	24,326	24,645	120,585
Sub-total	25,725	34,093	47,376	48,663	43,334	44,048	243,239
TOTAL	689,352	837,136	1,037,857	1,264,096	1,315,593	1,470,139	6,614,173

(1) The recovery of the overpayments under the 1952 Agreement for the fiscal years 1957-58 to 1961-62 has not been deducted from the tax rental payments for these provinces: Newfoundland $102,315 per annum; Prince Edward Island $228,221 per annum; New Brunswick $182,201 per annum; Manitoba $209,938 per annum and Saskatchewan $304,180 per annum.

1. NEWFOUNDLAND—1956-57 to 1961-62

(in thousands of dollars)

	1956–57	1957–58	1958–59	1959–60	Preliminary 1960–61	Estimates 1961–62	Total
A. Unconditional Grants							
1. Statutory Subsidies	1,569	1,569	1,569	1,569	1,569	1,655	9,500
2. Transitional Grant	2,250	1,400	1,050	700	350	—	5,750
3. Tax Rental (1)	13,805	4,449	4,737	5,725	5,068	5,421	39,205
4. Equalization	—	11,579	12,155	14,292	15,391	15,271	68,688
5. Stabilization	—	—	—	—	—	—	—
6. 50% share of Income Tax on Power Utilities	214	247	286	177	130	185	1,239
7. Atlantic Provinces Adjustment Grant	—	—	7,500	7,500	7,500	7,500	30,000
8. Term 29 Award	—	—	13,550	7,300	7,650	8,000	36,500
Sub-total	17,838	19,244	40,847	37,263	37,658	38,032	190,882
B. Conditional Grants							
1. Agriculture	130	137	171	150	142	142	872
2. Health	1,026	1,095	887	1,065	845	2,035	6,953
3. Hospital Insurance	—	—	2,858	4,708	5,100	5,990	18,656
4. Welfare	3,716	3,456	5,266	5,965	5,109	5,944	29,456
5. Vocational Training, etc	406	385	377	195	236	2,212	3,811
6. Highways and Transportation	1,171	861	4,753	5,359	6,579	6,000	24,723
7. Resource Development	66	56	165	462	935	877	2,561
8. Civil Defence	33	14	25	19	60	60	211
9. Municipal Winter Works	—	—	—	25	39	200	264
10. Other	25	—	—	—	—	—	25
Sub-total	6,573	6,004	14,502	17,948	19,045	23,460	87,532
C. Payments for the benefit of provincial institutions							
1. University Grants	415	426	657	673	688	703	3,562
2. Grants to Municipalities in lieu of Taxes on federal property	—	33	133	76	147	77	466
Sub-total	415	459	790	749	835	780	4,028
TOTAL	24,826	25,707	56,139	55,960	57,538	62,272	282,442

(1) The recovery of the overpayment under the 1952 Agreement which amounts to some $102,315 per annum for fiscal years 1957–58 to 1961–62 has not been deducted from the tax rental payments for those above years to which the deduction applies.

30.6.61

2. PRINCE EDWARD ISLAND—1956-57 to 1961-62

(in thousands of dollars)

	1956-57	1957-58	1958-59	1959-60	Preliminary 1960-61	Estimates 1961-62	Total
A. Unconditional Grants							
1. Statutory Subsidies	657	657	657	657	657	657	3,942
2. Tax Rental (1)	3,073	769	785	1,544	1,138	1,195	8,504
3. Equalization	—	2,955	3,074	3,005	3,454	3,394	15,882
4. Stabilization	—	412	418	−159	210	150	1,031
5. 50% share of Income Tax on Power Utilities	36	52	49	36	42	59	274
6. Atlantic Provinces Adjustment Grant	—	—	2,500	2,500	2,500	2,500	10,000
Sub-total	3,766	4,845	7,483	7,583	8,001	7,955	39,633
B. Conditional Grants							
1. Agriculture	38	39	56	67	79	79	358
2. Health	300	335	438	421	448	359	2,301
3. Hospital Insurance	—	—	—	447	1,000	1,235	2,682
4. Welfare	305	366	475	561	544	586	2,837
5. Vocational Training, etc.	33	62	110	134	25	136	500
6. Highways and Transportation	434	1,233	535	1,172	551	650	4,575
7. Resource Development	15	17	21	1,171	1,500	1,192	3,916
8. Civil Defence	—	—	1	6	24	25	56
9. Municipal Winter Works	—	—	—	1	—	25	26
10. Other	—	—	—	—	—	—	—
Sub-total	1,125	2,052	1,636	3,980	4,171	4,287	17,251
C. Payments for the benefit of provincial institutions							
1. University Grants	99	99	150	153	154	156	811
2. Grants to Municipalities in lieu of Taxes on federal property	58	76	89	113	102	116	554
Sub-total	157	175	239	266	256	272	1,365
TOTAL	5,048	7,072	9,358	11,829	12,428	12,514	58,249

(1) The recovery of the overpayment under the 1952 Agreement which amounts to some $228,221 per annum for fiscal years 1957-58 to 1961-62 has not been deducted from the tax rental payments for those above years to which the deduction applies.

30.6.61

3. NOVA SCOTIA—1956-57 to 1961-62

(in thousands of dollars)

	1956–57	1957–58	1958–59	1959–60	Preliminary 1960–61	Estimates 1961–62	Total
A. Unconditional Grants							
1. Statutory Subsidies	2,057	2,057	2,057	2,057	2,057	2,127	12,412
2. Tax Rental	22,333	9,032	11,824	11,280	11,224	11,692	77,385
3. Equalization	—	17,375	15,575	20,665	21,019	20,513	95,147
4. Stabilization	—	—	—	—	—	—	—
5. 50% share of Income Tax on Power Utilities	238	401	460	233	346	491	2,169
6. Atlantic Provinces Adjustment Grant	—	—	7,500	7,500	7,500	7,500	30,000
Sub-total	24,628	28,865	37,416	41,735	42,146	42,323	217,113
B. Conditional Grants							
1. Agriculture	62	93	127	109	109	110	610
2. Health	1,719	1,855	1,921	1,514	2,875	2,249	12,133
3. Hospital Insurance	—	—	1,573	8,163	9,600	10,948	30,284
4. Welfare	1,573	2,127	2,962	3,422	4,415	4,034	18,533
5. Vocational Training, etc	420	452	495	472	609	1,795	4,243
6. Highways and Transportation	951	3,532	2,934	3,799	3,257	1,500	15,973
7. Resource Development	64	51	111	2,131	1,178	1,066	4,601
8. Civil Defence	25	39	49	92	294	175	674
9. Municipal Winter Works	—	—	—	338	220	450	1,008
10. Other	5	5	5	5	—	—	20
Sub-total	4,819	8,154	10,177	20,045	22,557	22,327	88,079
C. Payments for the benefit of provincial institutions							
1. University Grants	695	702	1,065	1,074	1,085	1,095	5,716
2. Grants to Municipalities in lieu of Taxes on federal property	1,194	1,892	1,922	2,175	2,100	2,183	11,466
Sub-total	1,889	2,594	2,987	3,249	3,185	3,278	17,182
TOTAL	31,336	39,613	50,580	65,029	67,888	67,928	322,374

30.6.61

4. NEW BRUNSWICK—1956-57 to 1961-62

(in thousands of dollars)

	1956–57	1957–58	1958–59	1959–60	Preliminary 1960–61	Estimates 1961–62	Total
A. Unconditional Grants							
1. Statutory Subsidies	1,679	1,679	1,679	1,679	1,679	1,754	10,149
2. Tax Rental(1)	17,807	12,609	13,613	9,434	9,333	9,348	72,144
3. Equalization	—	8,645	8,651	16,864	17,416	17,568	69,144
4. Stabilization	—	—	—	—	—	—	—
5. 50% share of Income Tax on Power Utilities	228	220	202	100	115	164	1,029
6. Atlantic Provinces Adjustment Grant	—	—	7,500	7,500	7,500	7,500	30,000
Sub-total	19,714	23,153	31,645	35,577	36,043	36,334	182,466
B. Conditional Grants							
1. Agriculture	53	51	93	116	117	119	549
2. Health	1,926	1,813	1,739	1,359	1,582	2,087	10,506
3. Hospital Insurance	—	—	—	4,575	7,900	8,727	21,202
4. Welfare	1,848	2,332	2,934	3,103	4,218	3,893	18,328
5. Vocational Training, etc	248	278	359	424	993	2,776	5,078
6. Highways and Transportation	3,982	3,977	11,682	8,252	3,461	3,000	34,354
7. Resource Development	664	1,074	582	1,031	1,507	985	5,843
8. Civil Defence	21	34	38	70	122	130	415
9. Municipal Winter Works	—	—	61	311	196	535	1,103
10. Other	—	—	—	—	—	—	—
Sub-total	8,742	9,559	17,488	19,241	20,096	22,252	97,378
C. Payments for the benefit of provincial institutions							
1. University Grants	555	565	866	885	900	915	4,686
2. Grants to Municipalities in lieu of Taxes on federal property	494	781	926	904	1,074	923	5,102
Sub-total	1,049	1,346	1,792	1,789	1,974	1,838	9,788
TOTAL	29,505	34,058	50,925	56,607	58,113	60,424	289,632

(1) The recovery of the overpayment under the 1952 Agreement which amounts to some $182,201 per annum for fiscal years 1957–58 to 1961–62 has not been deducted from the tax rental payments for those above years to which the deduction applies.

30.6.61

5. QUEBEC—1956-57 to 1961-62

(in thousands of dollars)

	1956–57	1957–58	1958–59	1959–60	Preliminary 1960–61	Estimates 1961–62	Total
A. Unconditional Grants							
1. Statutory Subsidies	3,301	3,301	3,301	3,301	3,301	3,995	20,500
2. Tax Abatements (estimated)	143,634	124,740	132,590	150,978	151,435	160,782	864,159
3. Tax Rental	—	—	—	—	—	—	—
4. Equalization	—	43,060	55,004	68,631	70,365	71,947	309,007
5. Stabilization	—	—	—	—	—	—	—
6. 50% share of Income Tax on Power Utilities	1,186	1,675	2,281	1,504	1,221	1,733	9,600
Sub-total	148,121	172,776	193,176	224,414	226,322	238,457	1,203,266
B. Conditional Grants							
1. Agriculture	350	278	783	900	931	925	4,167
2. Health	10,291	8,332	15,940	15,116	14,000	12,473	76,152
3. Hospital Insurance	—	—	—	—	13,900	72,000	85,900
4. Welfare	11,746	16,069	20,457	28,281	35,000	29,329	140,882
5. Vocational Training, etc	648	5	2	3	44	1,003	1,705
6. Highways and Transportation	445	99	438	447	—	17,300	18,729
7. Resource Development	64	16	109	165	926	3,208	4,488
8. Civil Defence	—	—	—	—	—	—	—
9. Municipal Winter Works	—	—	—	1,426	1,686	9,400	12,512
10. Other	—	—	—	—	—	—	—
Sub-total	23,544	24,799	37,729	46,338	66,487	145,638	344,535
C. Payments for the benefit of provincial institutions							
1. University Grants	4,628	4,758	7,326	7,499	—	—	24,211
2. Grants to Municipalities in lieu of Taxes on federal property	1,170	2,424	2,769	4,026	4,831	5,760	20,980
Sub-total	5,798	7,182	10,095	11,525	4,831	5,760	45,191
Total	177,463	204,757	241,000	282,277	297,640	389,855	1,592,992

30.6.61

6. ONTARIO—1956-57 to 1961-62

(in thousands of dollars)

	1956-57	1957-58	1958-59	1959-60	Preliminary 1960-61	Estimates 1961-62	Total
A. Unconditional Grants							
1. Statutory Subsidies	3,641	3,641	3,641	3,641	3,641	4,618	22,823
2. Tax Rental	160,558	74,379	93,322	106,211	113,792	120,937	669,199
3. Tax Abatements (estimated)	13,647	150,824	142,529	162,800	152,288	162,682	784,770
4. Equalization	—	—	—	—	—	—	—
5. Stabilization	—	—	—	—	—	—	
6. 50% share of Income Tax on Power Utilities	1,428	1,333	1,590	1,043	578	821	6,793
Sub-total	179,274	230,177	241,082	273,695	270,299	289,058	1,483,585
B. Conditional Grants							
1. Agriculture	63	91	91	201	108	102	656
2. Health	10,606	9,955	11,782	15,096	15,755	14,129	77,323
3. Hospital Insurance	—	—	13,140	71,893	84,500	97,647	267,180
4. Welfare	7,134	11,173	20,586	25,444	24,770	23,540	112,647
5. Vocational Training, etc.	1,234	703	3,264	3,260	3,487	9,710	21,658
6. Highways and Transportation	5,184	12,927	16,579	19,673	17,869	7,610	79,842
7. Resource Development	850	1,237	2,925	2,240	3,124	3,721	14,097
8. Civil Defence	348	451	449	586	1,173	1,200	4,207
9. Municipal Winter Works	—	—	—	1,996	2,447	6,700	11,143
10. Other	27	27	27	27	—	—	108
Sub-total	25,446	36,564	68,843	140,416	153,233	164,359	588,861
C. Payments for the benefit of provincial institutions							
1. University Grants	5,405	5,622	8,705	8,928	9,133	9,339	47,132
2. Grants to Municipalities in lieu of Taxes on federal property	4,762	8,166	9,821	9,771	9,739	9,981	52,240
Sub-total	10,167	13,788	18,526	18,699	18,872	19,320	99,372
TOTAL	214,887	280,529	328,451	432,810	442,404	472,737	2,171,818

30.6.61

7. MANITOBA 1956-57 to 1961-62

(in thousands of dollars)

	1956-57	1957-58	1958-59	1959-60	Preliminary 1960-61	Estimated 1961-62	Total
A. Unconditional Grants							
1. Statutory Subsidies	2,032	2,032	2,032	2,065	2,054	2,082	12,297
2. Tax Rental(1)	27,889	18,418	20,688	26,471	25,974	26,331	145,771
3. Equalization	—	13,932	12,889	12,981	14,104	13,951	67,857
4. Stabilization	—	—	—	—	—	—	—
5. 50% share of Income Tax on Power Utilities	51	61	46	20	27	38	243
Sub-total	29,972	34,443	35,655	41,537	42,159	42,402	226,168
B. Conditional Grants							
1. Agriculture	108	156	156	342	435	318	1,515
2. Health	2,676	2,241	2,419	2,280	2,996	2,339	14,951
3. Hospital Insurance	—	—	7,148	11,324	13,100	15,140	46,712
4. Welfare	2,213	2,523	3,791	4,601	5,226	5,891	24,245
5. Vocational Training, etc.	262	362	329	431	545	1,977	3,906
6. Highways and Transportation	3,124	2,747	1,820	1,725	542	750	10,708
7. Resource Development	78	316	489	1,418	1,983	3,189	7,473
8. Civil Defence	32	33	61	92	152	213	583
9. Municipal Winter Works	—	—	51	383	259	2,871	3,564
10. Other	18	—	—	—	—	—	18
Sub-total	8,511	8,378	16,264	22,596	25,238	32,688	113,675
C. Payments for the benefit of provincial institutions							
1. University Grants	850	860	1,305	1,327	1,349	1,370	7,061
2. Grants to Municipalities in lieu of Taxes on federal property	788	1,040	1,545	1,259	1,454	1,286	7,372
Sub-total	1,638	1,900	2,850	2,586	2,803	2,656	14,433
TOTAL	40,121	44,721	54,769	66,719	70,200	77,746	354,276

(1) The recovery of the overpayment under the 1952 Agreement which amounts to some $209,938 per annum for fiscal years 1957-58 to 1961-62 has not been deducted from the tax rental payments for those above years to which the deduction applies.

30.6.61

8. SASKATCHEWAN—1956-57 to 1961-62

(in thousands of dollars)

	1956-57	1957-58	1958-59	1959-60	Preliminary 1960-61	Estimates 1961-62	Total
A. Unconditional Grants							
1. Statutory Subsidies	2,080	2,080	2,080	2,098	2,092	2,110	12,540
2. Tax Rental (1)	27,432	13,874	14,399	20,052	16,855	17,994	110,606
3. Equalization	—	19,197	19,862	20,180	23,723	22,509	105,471
4. Stabilization	—	—	—	—	—	—	—
5. 50% share of Income Tax on Power Utilities	50	66	96	51	58	83	404
Sub-total	29,562	35,217	36,437	42,381	42,728	42,696	229,021
B. Conditional Grants							
1. Agriculture	30	55	186	3,043	403	58	3,775
2. Health	2,095	2,275	3,006	2,254	2,486	2,544	14,660
3. Hospital Insurance	—	—	8,430	13,378	14,500	16,920	53,228
4. Welfare	2,199	2,577	3,913	4,238	4,627	4,516	22,070
5. Vocational Training, etc	340	419	452	1,274	920	1,105	4,510
6. Highways and Transportation	2,919	3,351	366	87	34	150	6,907
7. Resource Development	49	216	1,116	1,601	2,301	1,151	6,434
8. Civil Defence	49	43	51	71	164	200	578
9. Municipal Winter Works	—	—	33	322	789	1,140	2,284
10. Other	42	10	10	10	—	—	72
Sub-total	7,723	8,946	17,563	26,278	26,224	27,784	114,518
C. Payments for the benefit of provincial institutions							
1. University Grants	881	879	1,332	1,353	1,365	1,377	7,187
2. Grants to Municipalities in lieu of Taxes on federal property	284	625	726	747	846	763	3,991
Sub-total	1,165	1,504	2,058	2,100	2,211	2,140	11,178
TOTAL	38,450	45,667	56,058	70,759	71,163	72,620	354,717

(1) The recovery of the overpayment under the 1952 Agreement which amounts to some $304,180 per annum for fiscal years 1957-58 to 1961-62 has not been deducted from the tax rental payments for those above years to which the deduction applies.

30.6.61

9. ALBERTA—1956-57 to 1961-62

(in thousands of dollars)

	1956–57	1957–58	1958–59	1959–60	Preliminary 1960–61	Estimates 1961–62	Total
A. Unconditional Grants							
1. Statutory Subsidies	2,274	2,274	2,274	2,400	2,358	2,434	14,014
2. Tax Rental	37,311	28,892	38,350	40,261	39,636	40,845	225,295
3. Equalization	—	14,744	7,991	15,109	17,511	17,530	72,885
4. Stabilization	—	—	—	—	—	—	—
5. 50% share of Income Tax on Power Utilities	1,767	1,980	2,216	1,239	1,449	2,057	10,708
Sub-total	41,352	47,890	50,831	59,009	60,954	62,866	322,902
B. Contitional Grants							
1. Agriculture	66	67	69	1,688	1,157	83	3,130
2. Health	2,589	2,888	3,527	2,906	2,748	3,501	18,159
3. Hospital Insurance	—	—	8,775	15,699	16,900	19,441	60,815
4. Welfare	1,648	2,148	4,492	4,802	5,420	5,069	23,579
5. Vocational Training, etc	528	1,380	1,652	870	926	3,579	8,935
6. Highways and Transportation	2,019	5,398	2,229	1,109	268	150	11,173
7. Resource Development	21	184	476	2,462	2,131	2,394	7,668
8. Civil Defence	119	142	126	278	441	275	1,381
9. Municipal Winter Works	—	—	—	1,069	1,545	2,500	5,114
10. Other	10	20	10	10	—	—	50
Sub-total	7,000	12,227	21,356	30,893	31,536	36,992	140,004
C. Payments for the benefit of provincial institutions							
1. University Grants	1,123	1,160	1,802	1,865	1,925	1,985	9,860
2. Grants to Municipalities in lieu of Taxes on federal property	330	1,045	1,676	1,605	1,591	1,640	7,887
Sub-total	1,453	2,205	3,478	3,470	3,516	3,625	17,747
TOTAL	49,805	62,322	75,665	93,372	96,006	103,483	480,653

30.6.61

10. BRITISH COLUMBIA—1956-57 to 1961-62

(in thousands of dollars)

	1956-57	1957-58	1958-59	1959-60	Preliminary 1960-61	Estimates 1961-62	Total
A. Unconditional Grants							
1. Statutory Subsidies	1,281	1,281	1,281	1,281	1,281	1,683	8,088
2. Tax Rental	55,730	51,446	51,321	58,752	65,643	65,074	347,966
3. Equalization	—	4,491	8,237	11,258	5,926	7,373	37,285
4. Stabilization	—	3,046	5,258	−2,156	2,117	1,365	9,630
5. 50% share of Income Tax on Power Utilities	1,415	1,325	1,456	350	260	369	5,175
Sub-total	58,426	61,589	67,553	69,485	75,227	75,864	408,144
B. Conditional Grants							
1. Agriculture	38	70	132	116	235	100	691
2. Health	3,210	3,807	4,250	3,963	4,143	3,657	23,030
3. Hospital Insurance	—	—	12,784	20,406	22,500	26,443	82,133
4. Welfare	5,971	5,378	9,196	10,444	13,606	13,232	57,827
5. Vocational Training, etc	549	719	1,017	1,309	892	3,043	7,529
6. Highways and Transportation	6,680	16,818	12,333	15,123	16,135	17,000	84,089
7. Resource Development	846	1,147	2,747	2,585	2,361	3,367	13,053
8. Civil Defence	187	212	225	350	536	350	1,860
9. Municipal Winter Works	—	—	104	713	1,727	3,125	5,669
10. Other	10	10	10	10	—	—	40
Sub-total	17,491	28,161	42,798	55,019	62,135	70,317	275,921
C. Payments for the benefit of provincial institutions							
1. University Grants	1,398	1,487	2,316	2,355	2,409	2,463	12,428
2. Grants to Municipalities in lieu of Taxes on federal property	596	1,453	2,245	1,875	2,442	1,916	10,527
Sub-total	1,994	2,940	4,561	4,230	4,851	4,379	22,955
TOTAL	77,911	92,690	114,912	128,734	142,213	150,560	707,020

30.6.61

Mr. Fleming (Eglinton): The table indicates that the total value of these payments and abatements has more than doubled in the short space of five years—from $689.4 million in 1956-57 to $1,470.1 million in 1961-62.

As I mentioned earlier, the proposal to offer tax collection agreements and to increase the share of the personal income tax available to the provinces was accompanied by a proposal for an improved system of equalization and larger grants to the Atlantic provinces. As the resolution indicates, provision is made for equalization payments, payments to the Atlantic provinces, stabilization payments, and payments of a special grant of $8 million per annum to Newfoundland.

Under the present arrangements equalization is based on the per capita yield from the three standard taxes, that is, from the personal income tax, corporation income tax and succession duties at the standard rates of 13-9-50 in the two provinces which have the highest per capita yield. There are two fundamental weaknesses in this formula. The first is that equalization to the per capita yield in the two provinces with the highest yield is not realistic. The second is that by limiting the equalization formula to the three standard taxes no account is taken of wide variation in the revenues from other provincial sources. Equalization based on standard tax yields in the top two provinces led in some instances to larger payments than could be defended on the basis of fiscal need. At the same time it took no account of variations in fiscal capacity due to differences in other revenue sources.

It was with these considerations in mind that the government decided to propose an equalization formula based on the national average yields of standard taxes plus 50 per cent of the natural resource revenues. I should like at this point to refer to two tables which were presented to the dominion-provincial conference of February 23-24 of this year and which appear as an appendix to *Hansard* of March 7, 1961, in order to illustrate the effect of the new proposals. The first is a table showing natural resource revenue for the years 1956, 1957 and 1958, and the second is a table which illustrates the effect of including provincial natural resource revenue in the equalization formula. It will be seen from examination of the first table that there is an extremely wide variation in the amount of natural resource revenue per capita in the provinces, ranging from a low of 18 cents per capita for the three year average in Prince Edward Island to a high of $112.17 per capita in Alberta. The national average is $16.62 per capita. It was because of this extreme variation that it was decided that the inclusion of some portion of natural resource revenue in the equalization formula would produce a much better indication of fiscal need. It was decided therefore to include only 50 per cent of the average natural resource revenue on the ground that this would allow for some variation in the different rates of taxation in the provinces while at the same time not discouraging the provinces from using this revenue source.

The other element in the equalization formula consists of the standard taxes. For purposes of the equalization formula, the standard rates will be the rates by which the federal government withdraws from the standard tax fields, that is, 16-9-50 in the first year, 17-9-50 in the second year, 18-9-50 in the third year, 19-9-50 in the fourth year, and 20-9-50 in the fifth and final year of the new period. This means that the basis of the equalization payments will rise throughout the period as the federal government leaves increasing room in the personal income tax field for the provinces. The national average per capita yield of the standard taxes for any year plus 50 per cent of national average per capita return from natural resources for the average of the three preceding years will thus constitute the level below which no province can fall.

In addition, two equalization guarantees are provided. First, for provinces below the national average in the yield of standard taxes and 50 per cent of natural resource revenue, the equalization will never be less than enough to make them at least as well off as they would have been under a projection of the present arrangements. Second, for no province will the equalization payments ever be less than enough to bring its total receipts under the new arrangements up to the level of its total receipts in the final year of the old arrangements or in the average of the last two years of the old arrangements, whichever is the greater. The equalization provisions are applicable to all provinces whether or not they enter into tax collection agreements with the government of Canada.

At this point, with the permission of the house, I should like to place on *Hansard* table No. 3 containing a hypothetical illustration of how the equalization formula would apply to the year 1962-63 on certain assumptions.

The Acting Chairman (Mr. McCleave): Has the minister such permission?

Some hon. Members: Agreed.

[*Editor's note: The table referred to follows:*]

TABLE 3

HYPOTHETICAL ILLUSTRATION OF PROVINCIAL REVENUES FOR THE YEAR 1962–63 UNDER NEW FORMULA ASSUMING RATE OF GROWTH OF 5% PER ANNUM IN TAX YIELDS AND NO CHANGE IN THE 1961–62 PERCENTAGE DISTRIBUTION BY PROVINCES OF TAX YIELDS OR POPULATION

(thousand of dollars)

	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Total
New Formula (16–9–50)—revenues projected to 1962–63 from First Estimate for 1961–62											
standard taxes at 1962–63 rate of federal withdrawal (16–9–50)	6,037	1,314	13,052	10,371	169,193	314,480	29,482	20,201	45,758	72,835	682,723
equalization	14,397	3,399	19,459	15,394	72,307	—	12,814	22,327	12,617	977	173,691
Atlantic Provinces Adjustment Grants	10,500	3,500	10,500	10,500	—	—	—	—	—	—	35,000
Additional Grant to Newfoundland	8,000	—	—	—	—	—	—	—	—	—	8,000
Total	38,934	8,213	43,011	36,265	241,500	314,480	42,296	42,528	58,375	73,812	899,414
Present Formula (13–9–50)—revenues projected to 1962–63 from First Estimate for 1961–62 using same assumptions as with New Formula:											
total revenues from standard taxes at 13–9–50, equalization, stabilization, Atlantic Provinces Adjustment Grants, Additional Grant to Newfoundland	37,227	7,381	41,315	35,762	241,500	296,170	42,296	42,528	61,294	76,069	881,542
1957 Formula (10–9–50)—revenues projected to 1962–63 from First Estimate for 1961–62 using same assumptions as with New Formula:											
total revenues from standard taxes at 10–9–50, equalization, stabilization	19,556	4,881	30,430	25,426	217,284	266,865	38,056	38,268	55,144	76,026	771,936

NOTE: The projection of the New Formula is based on standard taxes of 16–9–60, i.e., on rates equal to the federal withdrawal. The provinces will of course be free to levy higher or lower rates than these and if they do so their receipts will be correspondingly higher or lower. The federal withdrawal in the individual income tax will rise progressively during the five year period commencing March 31, 1962 reaching 20% in the fifth year. The value of the additional four points made available to the Province of British Columbia, for example, will be $8,942,000 in terms of 1962–63 tax yields as estimated above.

Mr. Fleming (Eglinton): I should point out that the figures in this hypothetical illustration differ somewhat from those presented at the February conference and tabled in *Hansard* of March 7, 1961, because they are based on more up to date estimates.

The above table gives a comparison between the estimated amount the provinces would have received under a projection of the arrangements in effect when this government took office four years ago when the standard rates were 10-9-50 and their estimated receipts under the new arrangements proposed. It will be seen from this table that in aggregate the provinces will be $127.5 million better off under the proposed arrangements than they would have been under the arrangements in effect four years ago. This is the estimated benefit in the first year of the proposed arrangements. This benefit will increase materially in subsequent years as the federal income tax withdrawal increases from 16 per cent to 20 per cent.

The resolution also refers to increased grants to the Atlantic provinces, bringing the total of these grants from $25 million in each of the last four years to $35 million for each of the five years in the next period. This special and separate recognition of the fiscal problems of the Atlantic region was initiated by this government and has been widely acclaimed, not only in the Atlantic region. It complements the improved equalization formula. The decision to increase these grants by 40 per cent for the next five year period is a further indication of the emphasis which this government wishes to put upon the need for placing all regions of Canada in a position to supply essential services without resorting to unduly burdensome levels of taxation.

The resolution also indicates that the bill will provide for an additional payment of $8 million per annum to the province of Newfoundland for each of the five years of the new period. This is in recognition of the special fiscal need of the province of Newfoundland.

The over-all effect of the new equalization formula taken together with the Atlantic provinces adjustment grants and the special payment of $8 million per annum to Newfoundland will be a greater emphasis on fiscal need. I should like to illustrate this fact by making certain comparisons. In 1957-58, the first year of the present tax rental arrangements, the total equalization payments of $136.0 million were distributed as follows: Newfoundland, 8.5 per cent; Prince Edward Island, 2.2 per cent; Nova Scotia, 12.8 per cent; New Brunswick, 6.4 per cent; Quebec, 31.7 per cent; Ontario, nil; Manitoba, 10.2 per cent; Saskatchewan, 14.1 per cent; Alberta, 10.8 per cent; and British Columbia, 3.3 per cent.

In the first year of the new proposals the estimated total of fiscal aid including equalization, Atlantic provinces grants and the special grant of $8 million to Newfoundland will be $216.7 million and will be distributed as follows: Newfoundland, 15.2 per cent; Prince Edward Island, 3.2 per cent; Nova Scotia, 13.8 per cent; New Brunswick, 11.9 per cent; Quebec, 33.4 per cent; Ontario, nil; Manitoba, 5.9 per cent; Saskatchewan, 10.3 per cent; Alberta, 5.8 per cent; and British Columbia, 0.5 per cent. Thus the share of these greatly increased fiscal aid payments going to the Atlantic region will have risen from 29.9 per cent to 44.1 per cent. By the end of the five year period of the new proposals the share going to the Atlantic region will be over 50 per cent, provided rates of growth are not greater in the Atlantic region than elsewhere in Canada. Thus the new formula gives full recognition to the principle of equalization and fiscal need which this government has always maintained to be essential. At the same time the federal treasury will be saved the expense of paying equalization on an unrealistic basis and unsupported by fiscal need.

Under the present tax rental agreements certain stabilization provisions were included to protect the provinces against an undue decline in the revenue from the standard taxes and equalization. It can be argued that it is not the federal government's responsibility under tax collection agreements to protect the provinces from declines in the yield of their own taxes. It was evident, however, during the course of the discussions, that the provinces attached considerable importance to the stabilization provisions of previous agreements. Under the existing arrangements, the stabilization provisions ensure that a province will not receive less in any year from standard taxes, equalization, and stabilization than 95 per cent of the total it received in the average of the two preceding years. It was decided as a concession to the provinces to continue this provision so that even under tax collection arrangements all provinces, including those which do not enter into collection agreements, will be protected from an inordinate decline in the revenues from the standard taxes and equalization.

Reference is made in the resolution to the fact that the bill will provide for advance payments in respect of the taxes collected under the tax collection agreements with the provinces. The details of the tax collection agreements will have to be worked out in the course of the succeeding months. However, it

has been evident from the discussions to date that some of the provinces will wish the tax collection payments to provide for an even flow of revenue throughout each fiscal period as is provided under the present tax rental agreements. Therefore it is necessary to provide authority for the federal government to pay out money to the provinces on an estimated basis pending the final determination of the amounts of provincial tax assessed year by year.

I wish at this time to refer to three other matters which are not included in the bill but which may nevertheless be regarded as part of the proposed fiscal arrangements for the provinces for the period after March 31, 1962.

Under the 1947 and 1952 Tax Rental Agreements Acts provision was made for paying to the provinces half of the federal income tax collected from certain public utility corporations whose main business is the distribution or generation for distribution to the public of electrical energy, gas or steam in respect of income of the corporation derived from the said distribution or generation. This sharing has been continued on a year to year basis since then and has been provided for in the estimates. It was evident from the discussions at the conferences that most of the provinces attach great importance to the continuation of this arrangement. As a concession to the representations made by the provinces, the government proposes to give the assurance that this sharing will be continued throughout the period of the next agreements, that is, for the next five years up to and including the fiscal year 1966-67.

A second matter which will be dealt with outside the provisions of the bill is the matter of a co-operative approach toward the taxation of the forest industry. Under the Federal-Provincial Tax-Sharing Arrangements Act, provincial taxes on the income from logging operations are specifically excluded from the corporation taxes which a province must refrain from levying in order to enter into a tax rental agreement with the government of Canada. Taxes on logging profits are imposed in two provinces, Ontario and British Columbia, and although these taxes are deductible as expenses in computing federal income tax, the result has been that in these provinces the forest industry bears somewhat higher income taxes than other industries. It was because of the government's concern with this situation that the Prime Minister made the following statement in his letter of June 16, 1961 to the provincial premiers:

> At the conference I stated that the federal government was prepared to consider certain concessions in connection with the taxation of the forest industry if the provinces were willing also to make some concessions. It has been conceded that because the logging profits tax is levied in addition to the corporation income tax, the forest industry bears a greater tax burden than other industries. The possibilities of lessening the burden of taxation on the forest industry have been discussed at the official level. One of the possibilities discussed was that a tax credit, shared between a province and Canada, might be granted to the industry.
>
> Before this can be done some further technical discussions will be required to reach agreement on the definition of logging income which will be subject to tax and accepted for the purpose of this tax credit. Subject to reaching agreement on this matter of the definition of logging income, the federal government is prepared as a means of relieving the tax burden on the forest industry to offer a tax credit equal to two thirds of the logging tax up to a maximum rate of 10 per cent, provided the province gives a tax credit equal to the remaining one third of such logging tax.

A third matter has been under discussion with the provinces for some time and that is the application of provincial sales taxes to federal agencies and corporations. Similar agencies and corporations at the provincial level have been subject to federal sales and excise taxes and it has been the contention of the provinces that federal agencies should be placed in the same position. At the February conference the Prime Minister made the following statement concerning this matter:

> We have given further thought to the means of achieving reciprocity of treatment in the position of provincial crown corporations and agencies under federal sales and excise taxes and the position of federal corporations and agencies under provincial direct taxes on purchases. We are prepared to waive federal immunity from taxation and instruct federal corporations and agencies to pay provincial purchase taxes and other similar taxes, on the understanding that provincial corporations and agencies will be subject to federal sales and excise taxes. We think that this is an equitable arrangement, being in accordance with the general principles followed in regard to the payment of federal taxes on purchases by federal departments. We think it is better than reciprocal exemptions as an administrative and accounting arrangement, preserving as it will a fairer relationship between crown corporations and agencies in general and private businesses.

We are proceeding with the preparation of a list of federal agencies and corporations which would be subject to provincial sales taxes and any necessary legislation providing for such payment of taxes will be introduced to take effect April 1 next year.

I have now explained the main features of the bill as provided for in the resolution and have dealt with certain ancillary matters which are part of the fiscal arrangements. The provisions of the bill will reaffirm and strengthen the principle that equalization payments must take full account of fiscal need and at the same time enable the provinces to exercise their constitutional rights of taxation. The government is convinced that the new arrangements provided for under the bill

will be the basis for a sound partnership between the provinces and the federal government and will usher in a new era of co-operation on more equal terms.

Mr. Pearson: In what some of us still persist in hoping are the dying hours of this session which began last November the minister has put before the committee a resolution dealing with a subject which is almost as important as any subject can be in a federal state, namely the fiscal and financial relationships between the provinces and the central government. Our whole history shows the importance of this matter in national development, unity and strength. If that development in our federal society cannot proceed in a way which provides for the maintenance of a reasonably balanced level of essential services throughout the country so that there will not be in this federation underdeveloped areas in that sense, our history shows that the federation cannot be strong. Our history also shows that this consideration puts an obligation on the federal government to assist, through fiscal aid and financial aid, those provinces which are not as fortunate as others in their resources and because of that fact have not access to as much financial resources as have some of the more fortunate and richer provinces. That is the basis on which the federal government has helped the provinces ever since 1867.

In his statement the minister said that the principle in the relations between the provinces and the federal government in this field, and I would add in every other field, must be one of enlightened co-operation rather than centralization. Of course, Mr. Chairman, we all agree with that statement. We on this side will consider the application of this formula in that light, namely whether it implements the principle of enlightened co-operation; whether it is fair in its impact on the poorer provinces; and above all, whether it implements in a fair and equitable way the principle to which we on this side have always attached so much importance, namely the principle of equalization. The minister spoke for some time, Mr. Chairman, and we will examine with great care what he has said. Especially will we examine the statistical tables he has placed on the record. I thought some of the minister's arguments and some of his statements, and especially his passion now for the principle of equalization, were a little disingenuous in the light of the past history of the attitude of his party to this matter. I also noticed that, among the tables which the minister inserted into the record, he did not include, or at least I did not gather that he did so, one which we would certainly like to see included, namely a table which would show what the continuation of the present arrangement would mean to the provinces in comparison with the application of the new formula.

Mr. Fleming (Eglinton): That is on record in one of the earlier tables.

Mr. Pearson: As I say, we will study these tables with interest. I have not had much chance tonight to do that. We will have something to say about these tables and we shall also be glad indeed to put on *Hansard* a few tables of our own, as our interpretation of the application of this new formula is certainly not that which has been given to us tonight by the minister. In any event, this new formula or this new deal embodied in this resolution on which a bill will be based is apparently the result of four years' consideration given to this matter by the federal government. This is the final outcome of the promises made by the Prime Minister and his colleagues in the election campaigns of 1957 and 1958 when they told the provinces there would be a new deal which would be acceptable to all the provinces and welcomed by them. We remember particularly the statements made by the Prime Minister in Ontario and the reaction of those statements by the premier of Ontario. We also remember the amount which the premier of Ontario said would be fair to that province under the new deal which he assumed the new government would give him and on the strength of which he begged the people of Ontario to "follow John".

Mr. Martin (Essex East): That amount was $100 million.

Mr. Pearson: That amount was $100 million. They have not followed John into $100 million for Ontario but they followed him into a sales tax for Ontario.

Some hon. Members: Oh, oh.

Mr. Pearson: If these proposals which the minister has put before the committee tonight carry out all these desirable principles which the minister has mentioned such as equalization, enlightened co-operation, greater assistance to the provinces and greater recognition of provincial fiscal needs, it is a strange thing that these proposals have not been accepted with enthusiasm by all the provinces.

That has not happened. Most of the provinces have been dissatisfied with the deal which has been put before them. Some provinces, especially the less rich provinces, are complaining about the inadequacy of this formula which is a result of four years' consideration by this government and which was

to put the fiscal relations of the provinces and the federal government on a new and more satisfactory basis.

The resolution contains these words:

That it is expedient to introduce a measure to authorize tax collection agreements with the governments of the provinces—

We will have something to say about these agreements:

—and to provide that the minister may pay to a province, out of the consolidated revenue fund, in respect of any fiscal year in the period commencing on the 1st day of April, 1962 and ending on the 31st day of March, 1967,

(a) a tax equalization payment;

The minister had a great deal to say this evening about this principle of equalization and the way this formula was implementing it in a way which would strengthen rather than weaken the principle. We claim, and we will be able to produce evidence to support the claim, that the equalization formula weakens rather than strengthens the principle. In any event, the principle itself is not so important as the base on which the principle is applied. For the minister to argue that by altering the base from the top two provinces to the national average strengthens rather than weakens the principle is very, very difficult for us on this side of the house to understand. We would like the minister in the course of this discussion to tell us how this equalization payment under the new formula will actually affect the various individual provinces. I am not sure whether the tables the minister introduced tonight deal with that matter, but perhaps he will deal with it before the debate is over.

The government has claimed, and the minister has repeated the claim this evening, that these new tax collection agreements represent a return to the spirit of the constitution and this gives back to the provinces their complete rights in the field of direct taxation. The minister claims that this represents, in that sense, a very great advance over the tax rental agreement formula. Of course that claim, if I may use the minister's favourite word, is nonsense. Under the present system which has been applied since 1957 three options were offered to the provinces. They could levy and collect their taxes at whatever rates they wished to determine themselves. They have always had that option. They could simply rent the three direct tax fields or they could levy those taxes, and the federal government was willing to collect them provided the provincial rates did not exceed the standard rates. Up to the present, then, the provinces have had these three options. Nobody forced them into the tax rental agreement field. They had the other options. Under the new formula the rental option would cease to be available and the federal government would be willing to collect provincial taxes at any rates.

While this last change—the minister went to some pains to illustrate this point this evening—may be an improvement for certain of the richer provinces, it can hardly be described as a revolutionary change. The minister called it—and I am paraphrasing what he said—a sort of introduction of the idea of flexibility. He said this provides more flexibility in these areas. But this new arrangement may very well lead to the tax jungle of the 1930's. Moreover, to the extent that the provinces will have to depend on additional direct taxes without equalization for their financing, great regional inequalities will arise because for most of the provinces equalization is a very important source of revenue. We claim that the principle of equalization and the application of that principle in the new formula will react to the disadvantage of the poorer provinces. Indeed the provinces themselves have already pointed that out to the minister. They seem singularly ungrateful for this new deal which according to the minister is going to mean so much to them.

Therefore we on this side of the house claim that the equalization principle is weakened under this new formula and we will produce evidence to support that contention. We claim that the new proposal is much more a return to the tax jungle and the inequalities of the 1930's than even the 1867 arrangement which embodied a large element of equalization.

Mr. Chairman, may I call it 10.30.

Progress reported.

BUSINESS OF THE HOUSE

Mr. Pickersgill: Mr. Speaker, I wonder whether the house leader would indicate what business the government intends to bring forward tomorrow?

Mr. Churchill: It will be a continuation of the program as outlined; third reading of Bill No. C-120 regarding the Income Tax Act, then a continuation of the debate on the resolution with which the committee has just been dealing, and the other item on the order paper, Bill No. C-71, an act respecting the civil service of Canada. Those are the legislative items that will be available to the house tomorrow.

Mr. Pickersgill: Has the minister any views about the report of the committee on procedure?

Mr. Churchill: I am waiting for an opportunity, when the house is free of some of the

other business, to consider that matter. Then, of course, we have interim supply to take into consideration.

Mr. Pearson: Mr. Speaker, I wonder whether the house leader would consider bringing in the civil service bill tomorrow so that the Minister of Finance might be free to attend, if he so desires, the Senate committee on the Bank of Canada Act.

Mr. Fleming (Eglinton): Oh, your solicitude is so impressive. You are most unselfish.

At 10.30 p.m. the house adjourned, without question put, pursuant to special order.

ANSWERS TO QUESTIONS

The following answers, deposited with the Clerk of the house, are printed in the official report of debates pursuant to standing order 39:

C.M.H.C. REPOSSESSIONS

Question No. 277—**Mr. Meunier:**

1. How many houses have been repossessed for Central Mortgage and Housing, by provinces, for each year from 1957 to 1960 inclusive?
2. What is the value, by provinces, of these repossessions?

Answer by: **Hon. D. J. Walker (Minister of Public Works):**

(1) Number of houses acquired by the mortgage insurance fund.

Province	1957	1958	1959	1960	1957–1960
Newfoundland	1	—	—	1	2
Prince Edward Island	—	—	—	—	—
Nova Scotia	—	—	—	—	—
New Brunswick	—	—	—	—	—
Quebec	1	6	15	48	70
Ontario	4	3	20	108	135
Manitoba	—	—	—	—	—
Saskatchewan	—	—	1	—	1
Alberta	—	1	—	3	4
British Columbia	—	—	—	12	12
CANADA	6	10	36	172	224

(2) Value* of houses acquired by the mortgage insurance fund.

Province	1957	1958	1959	1960	1957–1960
	$	$	$	$	$
Newfoundland	12,336	—	—	11,785	24,121
Prince Edward Island	—	—	—	—	—
Nova Scotia	—	—	—	—	—
New Brunswick	—	—	—	—	—
Quebec	9,123	46,553	150,325	508,290	714,291
Ontario	40,768	26,142	220,017	1,202,153	1,489,080
Manitoba	—	—	—	—	—
Saskatchewan	—	—	9,539	—	9,539
Alberta	—	7,984	—	30,173	38,157
British Columbia	—	—	—	131,756	131,756
CANADA	62,227	80,679	379,881	1,884,157	2,406,944

* Amount of claim or outstanding balance at time of acquisition.

HOUSING—LATEST N.H.A. STATISTICS

Question No. 286—**Mr. McCleave:**

What are the latest figures under the National Housing Act for (a) housing (b) assistance on municipal sewage projects (c) loans for university residences, during 1961?

Answer by: **Hon. D. J. Walker (Minister of Public Works):**

(a) In June, housing starts in urban centres numbering 10,644 dwelling units were at the highest level since November, 1959, and represented an increase of 22.3 per cent over June, 1960.

Starts for the first six months of 1961 totalled 39,981 an increase of 35.3 per cent over the figure for the first half of 1960.

N.H.A. lending activity continued to improve in June, bringing loan approvals for the first six months of the year to 29,823 dwelling units, up 190.6 per cent over the 10,262 reported for January-June, 1960.

(b) Up until June 30, 72 loans amounting to $30,426,000 for the purpose of providing assistance in the construction of municipal sewage treatment projects have been approved by Central Mortgage and Housing Corporation. Loans have now been approved to municipalities in each of the 10 provinces. In addition, 14 formal applications are on hand for loans amounting to $2,450,000, together with another 199 preliminary inquiries. For 123 of the latter, the municipalities' estimate of loans required totals $67,558,000.

(c) Central Mortgage and Housing Corporation has also made 11 loans in an amount of more than $9.5 million to universities to assist in the construction of student residences. The universities for which loans have been approved are: University of New Brunswick, Acadia University, University of King's College, St. Francis Xavier University, Assumption University, Waterloo Lutheran University, Brandon College, United College, Winnipeg, Emmanuel College, Saskatoon, Notre Dame College, Wilcox, Saskatchewan and University of British Columbia. The residences to be built with the assistance of these loans will accommodate more than 2,000 students.

In addition to loans approved, the corporation has received and is reviewing applications from 13 other universities that are seeking loans aggregating some $19.5 million to accommodate 4,500 students.

HOUSE OF COMMONS

Wednesday, July 12, 1961

The house met at 11 a.m.

STARRED QUESTIONS

C.N.R.—DISTRIBUTION OF PRESIDENT'S COMMENTS BEFORE HOUSE COMMITTEE

Question No. 440—**Mr. Pitman:**

1. Did the Canadian National Railways, directly or indirectly, reproduce and mail any portion of the comments of its president, Mr. Donald Gordon, made at any of the meetings during the present session of the sessional committee on railways, air lines and shipping?

2. If so: (a) what portions were so reproduced, by whom, by what method, how many, and at what cost? (b) to whom and by whom were such reproductions mailed, and at what cost?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, the management of Canadian National Railways advise as follows: Certain portions of the testimony referred to were reproduced in regular editions of two employee communications media known as *Management Bulletin* and *Daily Report.* This is normal practice. In addition, as suggested during the committee, other features of the testimony will be reproduced in the magazine *Keeping Track.* The first two publications referred to are reproduced on duplicating machines and are distributed to supervisory and management personnel, while *Keeping Track,* a monthly printed magazine, is distributed to all employees and pensioners and others. As indicated, the communications referred to are regular publications and the costs of insertion of particular items are not therefore segregated.

SOULANGES CANAL—TENDERS FOR PURCHASE OF EAST END

Question No. 442—**Mr. Chevrier:**

1. Did the Department of Transport receive tenders from industry in relation to the purchase of the east end of the Soulanges canal at Pointe des Cascades?

2. If so, what is the list of names, addresses, and amounts of such bidders?

3. How many employees are likely to be engaged in each case?

4. What action has the government taken on these tenders?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, the answers are as follows:

1. Yes.

2. (a) Max and Sol Goldberg, Montreal, P.Q., $50,000.

(b) Roger LaFleur, Montreal, P.Q., $52,000.

3. Goldberg offer—no firm plans but reference to possible 100 employees.

LaFleur offer—no reference.

4. Offers not considered satisfactory and, as already announced, property involved offered to the province of Quebec along with balance of Soulanges property.

AUTOMATIC ARCTIC WEATHER STATIONS—USE OF ATOMIC ENERGY

Question No. 446—**Mr. Chevrier:**

1. Is any applied research being conducted in Canada into the feasibility of using atomic energy to power automatic weather stations in the Arctic?

2. Is any government agency co-operating with the American atomic energy commission in the research work being done by the Martin Company in Baltimore in the development of an isotope power atomic weather station?

3. Has any consideration been given to the use of such atomic weather stations in the Canadian Arctic?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, in reply to part 1 of this question, the Department of Transport has no knowledge of any such research.

With regard to parts 2 and 3, I would refer the hon. member to the reply given in the house on July 5 to his oral question by the Secretary of State for External Affairs. I might add that the Department of Transport has no knowledge of any government agency co-operating directly with the United States atomic energy commission on this subject.

DAILY POINTS OF CALL, LETTER CARRIERS

Question No. 447—**Mr. Thomas:**

1. How many points of call are considered an average day's work for a letter carrier?

2. What would be the estimated cost of extending house-to-house delivery to towns and villages with 1,500 or more points of call?

3. How many additional jobs would be created by such an extension of house-to-house delivery?

4. What percentage increase in postal rates would be required to pay for such extended service?

Hon. W. M. Hamilton (Postmaster General): Order for return, Mr. Speaker.

Mr. Speaker: Order for return.

ROYAL COMMISSIONS, 1951-1957

Question No. 448—**Mr. Hanbidge:**

1. How many royal commissions were established by the St. Laurent government between July 1, 1951, and June 10, 1957?

2. What was the purpose of each such commission?

3. When was each established?

Starred Questions

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, the answer to part 1 is 15, excluding routine investigations into charges of political partisanship. The answer to parts 2 and 3 is rather lengthy and detailed. With leave of the house may the answer be printed in *Hansard*?

Mr. Speaker: Is it agreed that the balance of the answer may be incorporated without being read?

Some hon. Members: Agreed.

[*Editor's note: The balance of the answer follows:*]

2 and 3. Purpose and date of establishment.

1. Claims arising out of world war II, (Mr. Chief Justice Ilsley), 31 July, 1951.

2. South Saskatchewan river project, 24 August, 1951.

3. Staking of areas and application for permits re exploring petroleum products by Sun Oil Company and California Standard Company, 12 November, 1951.

4. Claims arising out of world war II (Mr. Chief Justice Campbell), 23 October, 1952.

5. Criminal law relating to defence of insanity, 2 March, 1954.

6. Criminal sexual psychopaths, 25 March, 1954.

7. Quartz mining and placer mining in Yukon Territory, 29 April, 1954.

8. Agreed charges under part IV of the Transport Act, 20 May, 1954.

9. Parents, copyright, trade marks, 10 June, 1954.

10. Humber river valley flood, 20 October, 1954.

11. Coasting trade in Canada, 2 December, 1955.

12. Long term prospects of the Canadian economy, 17 June, 1955.

13. Broadcasting in Canada, 2 December, 1955.

14. Dispute between Canadian Pacific railway and brotherhood of locomotive firemen and engineers, 17 January, 1957.

15. Financial position of Newfoundland, 21 February, 1957.

CANADIAN NATIONAL RAILWAYS—TRUCKING PROFITS

Question No. 450—**Mr. Fisher:**

1. Did the "small" operating profit reported by the Canadian National Railways trucking operations include the operating profit of Midland-Superior?

2. If so, what provision was made in the accounting to allow for the fact that the C.N.R. did not own Midland-Superior outright in 1960?

3. What was the amount of this allowance?

4. Were any dividends paid to shareholders (other than the C.N.R.) of this trucking firm in 1960?

5. If so, what was the amount?

[Mr. Hanbidge.]

6. Was any charge made against the revenues of Midland-Superior in 1960 for the cost of the capital allotted to purchase this firm?

7. If so, did it wipe out the operating profit?

8. If not, was this practice used on East-West Transport and Empire Transport during 1960?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, the answers to the eight parts of this question are as follows:

1. Yes.

2. As was indicated in the answer to starred question No. 265, since the purchase of Midland was not completed as at December 31, 1960, there is a credit of about $400,000 not yet taken into C.N.R. accounts for that year.

3. See answer to No. 2.

4. No.

5. Not applicable.

6. No.

7. Not applicable.

8. No.

C.N.R.—EMPLOYMENT OF MANAGEMENT CONSULTANTS

Question No. 451—**Mr. Fisher:**

1. Did the Canadian National Railways employ any firms of management consultants during 1960 and 1961?

2. If so, what were the names of the firms, and how much were they paid in total for fees and expenses?

3. On what assignments did the firms work?

4. Were the firms selected after calling for tenders and picking the low bid? If not, what was the basis for selection?

5. How much does the C.N.R. expect to spend for management consulting fees and expenses during 1961?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, the management of Canadian National Railways advise that in common with all large organizations it obtains from time to time technical advice or consultation on specific problems. A number of firms have been employed in respect to special studies and projects. In doing so, the company avoids building up its senior staff on a permanent basis. The term "management consultant" is not susceptible to precise definition. However, in the general consulting field the firm of Woods Gordon and Company has been assisting the company in its general reorganization. At the same time the firm of Price Waterhouse has been assisting management in the development of accounting techniques to coincide with the new form of organization. It is not practicable to call for technical advice by tender, so that the selection of such assistance is a matter of management judgment exercised in the light of the knowledge and the skills available in relation to the particular problem. It has not been the practice to disclose the amount of fees paid.

EXTERNAL ASSISTANCE GRANTS AND LOANS

Question No. 453—**Miss LaMarsh:**

1. What is the total of Canadian external assistance grants for each year since the second world war?
2. What percentage of Canada's national income (or gross national product) was spent on external assistance grants in each year since the second world war?
3. What is the total of Canadian external assistance loans for each year since the second world war?
4. What is the total of Canadian external assistance grants and loans for each year since the second world war?
5. What percentage of Canada's national income (or gross national product) was spent on external assistance grants and loans in each year since the second world war?
6. What is the total of Canadian external assistance loans less repayments of principal and interest on external assistance loans for each year since the second world war?
7. What is the total of Canadian external assistance grants and loans less repayments of principal and interest on external assistance loans for each year since the second world war?
8. What percentage of Canada's national income (or gross national product) was spent on external assistance grants and loans (less repayments of principal and interest on external assistance loans) for each year since the second world war?

Hon. Howard C. Green (Secretary of State for External Affairs): Mr. Speaker, this question involves complicated statistical research and more than one department is concerned. I ask that it be made an order for return.

Mr. Speaker: Order for return.

[*Later:*]

Mr. W. H. McMillan (Welland): I should like to direct a question to the Minister of Finance. Since the hon. gentleman is now in the house I wonder if he could now give me an answer to starred question No. 449.

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, I was detained when the house opened. I was on the telephone, and I arrived only after the starred questions had been called. I had intended to ask, when we had completed the questions on the orders of the day, if the house would agree to revert to starred questions to permit me to answer several of them.

Mr. Speaker: Perhaps the house would give the hon. minister leave to answer those questions now.

Some hon. Members: Agreed.

CASH BORROWING REQUIREMENTS, EXCHANGE FUND

Question No. 445—**Mr. Benidickson:**

What is an up to date estimate by the government of its cash borrowing requirements during 1961-62 to provide the exchange fund with resources to assure the maintenance of a significant discount of the Canadian dollar vis-à-vis the U.S.A. dollar?

Hon. Donald M. Fleming (Minister of Finance): I think there are three questions which I would have answered, had I been present at the moment when they were called which were allowed to stand in my absence. The first is No. 445. I am asked for an up to date estimate by the government of its cash borrowing requirements during 1961-62 to provide the exchange fund with resources to assure the maintenance of a significant discount of the Canadian dollar vis-à-vis the United States dollar.

I dealt with this subject in the budget. It has not been the practice to issue, except perhaps on such occasions as a supplementary budget, any further statements on such subjects during the course of the year. None of the estimates with relation to the balance of ways and means or cash is made the subject of further statements during the course of the year once the budget has been introduced.

PERSONNEL, FINANCE MINISTER'S OFFICE

Question No. 452—**Miss LaMarsh:**

1. Apart from the minister and parliamentary assistant, what was the maximum number of persons employed in the office of the Minister of Finance in the fiscal year 1956-57 and what was the aggregate of their annual salaries in that year?
2. Apart from the minister and the parliamentary secretary, what was the maximum number of persons employed in the office of the Minister of Finance in the fiscal year 1960-61 and what was the aggregate of their annual salaries in that year?

Hon. Donald M. Fleming (Minister of Finance): Question No. 452 asks, first what was the maximum number of persons employed in the office of the Minister of Finance, apart from the minister and the parliamentary secretary, in the fiscal year 1956-57, and what was the aggregate of their salaries in that year. The second part asks the same question with respect to the fiscal year 1960-61.

My answer is that the number of employees in the office of the minister was the same in both years. It was 10 in the fiscal year 1956-57 and it was 10 in the fiscal year 1960-61. It has been reduced to nine since, and at the moment it happens to be, temporarily, eight.

As to the total paid by way of salaries, in the fiscal year 1956-57 it was $35,969.63. In the fiscal year 1960-61, having regard to increases in salaries which became effective since the earlier year, one made effective in the fiscal year 1957-58 and the other in the fiscal year 1960-61, the total of salaries was $51,936.46. With the reduction of the staff since the beginning of the present fiscal year there has, of course, been a reduction since that time with respect to the amount of salaries payable in the fiscal year 1961-62.

Starred Questions

EXCHANGE FUND RESERVES

Question No. 449—**Mr. McMillan:**

What was the amount of reserves in the exchange fund on the close of business on (a) June 20, 1961, (b) June 30, 1961, (c) the latest available date?

Hon. Donald M. Fleming (Minister of Finance): This question asks what was the amount of reserves in the exchange fund on the close of business on (a) June 20, 1961, (b) June 30, 1961 and (c) at the latest available date.

As I have pointed out on earlier occasions, it has never been the practice to issue figures on the holdings of exchange except at the month end. These figures are published at the end of each month. They refer to the holdings of gold and foreign exchange, usually U.S. dollars, which are official holdings. Practically all of the official holdings are in the exchange fund. It is not the practice to issue the figures apart from the total. In total the official holdings, as I say, are nearly all in the exchange fund.

Now as to the holdings, in keeping with the practice I shall begin by giving the figure on May 31. It is not one of the dates that appear in this question, but in keeping with the practice observed at all times in the past I am coming as close as I can to the dates that are mentioned in the question. On May 31 the official holdings of gold and United States dollars at the close of business that day were $1,949.2 million. On June 30 they were $1,985.2 million. Mr. Speaker, the date June 20 happens to be the date of the budget, and is a date, not being a month end, when it has not been customary to issue any statement as to holdings. The same would apply to part (c) of the question, the latest available date. I think therefore, Mr. Speaker, I should not depart from the practice that has been observed, but I may perhaps suggest that there has been no significant or great change in the figures.

Mr. Speaker: Answered.

[*Later:*]

On the orders of the day:

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, perhaps there is one thing I might have added to the answer I gave in reply to starred question No. 449. Within the limits of the practice in these matters I may say that part of the increase in the holdings of gold and U.S. dollars between May 31 and June 30 occurred before June 20. Also, in relation to what has happened since June 30, the holdings of gold and U.S. dollars are less today than they were on June 30.

[Mr. Fleming (Eglinton).]

QUESTIONS PASSED AS ORDERS FOR RETURNS

PUBLISHING HOUSES IN CANADA

Question No. 215—**Mr. Argue:**

1. How many publishing houses are there in Canada?
2. What is the name of each, location of head office, and type of publishing business?
3. Are any of these (a) owned (b) controlled by (i) American (ii) other foreign nationals?
4. If so: (a) which ones? (b) by what company are they owned or controlled, and to what extent? (c) on what date did this control or ownership take place?

LOANS TO INCORPORATED COMPANIES

Question No. 288—**Mr. Howard:**

1. Since January 1, 1950, have any loans, except those made by C.M.H.C., been made to incorporated companies other than crown corporations?
2. If so, with respect to each such company, what is (a) the name, address, and type of business (b) the total amount of each loan (c) the date of each loan (d) the term of each loan (e) the rate and type of interest paid or payable on each loan (f) the authority for each loan?
3. Have any companies defaulted on their loan, and, if so, which companies, and what are the details in each case; and what is the total amount lost to date by defaulted loans?

DAILY POINTS OF CALL, LETTER CARRIERS

Question No. 447—**Mr. Thomas:**

1. How many points of call are considered an average day's work for a letter carrier?
2. What would be the estimated cost of extending house to house delivery to towns and villages with 1,500 or more points of call?
3. How many additional jobs would be created by such an extension of house to house delivery?
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7. What is the total of Canadian external assistance grants and loans less repayments of principal and interest on external assistance loans for each year since the second world war?
8. What percentage of Canada's national income (or gross national product) was spent on external assistance grants and loans (less repayments of principal and interest on external assistance loans) for each year since the second world war?

PRIVILEGE

MR. PEARSON—REFERENCE TO REMARKS IN DEBATE ON JULY 11

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, I rise on a question of privilege. Yesterday the Minister of Finance indicated that if questions were asked by the opposition on the operation of the exchange fund as they should have been asked—as the minister put it, if the opposition "had been on their toes"—they would have been replied to. I call your attention to the fact that questions Nos. 445 and 449 appear on the order paper as starred questions. Those questions deal with this very subject. The Minister of Finance is not here to answer them, nor is his parliamentary secretary nor anyone else.

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, as soon as the minister is available I am sure they will be answered. I compliment the Leader of the Opposition for following the suggestion of the Minister of Finance that if hon. gentlemen opposite had been "on their toes" they would have received this information.

Mr. Pearson: In reply to what the Prime Minister has said, the right hon. gentleman has probably forgotten that questions on this subject have been asked previously. Apparently the Minister of Finance also forgot that yesterday when he made that inaccurate statement. I point out that two questions dealing with this subject are on the order paper and there is no one here from the Department of Finance to reply.

[*Editor's note: For answers to questions above referred to, see "Starred Questions" this day.*]

CUSTOMS TARIFF

INQUIRY AS TO JOINT CONFERENCE ON SENATE AMENDMENT

On the orders of the day:

Mr. Hazen Argue (Assiniboia): Mr. Speaker, I wish to direct a question to the Prime Minister. Would the Prime Minister inform the house whether any steps are contemplated to establish a joint conference between representatives of the House of Commons and Senate to deal with the controversial Senate amendment to the customs tariff bill?

Right Hon. J. G. Diefenbaker (Prime Minister): When the Senate convenes this afternoon the answer to that question will be given. It is appropriate that any response should be made in the other place, where the discussions are taking place.

Inquiries of the Ministry

FINANCE

INTERNATIONAL MONETARY FUND—INQUIRY AS TO CRITICISM OF GOVERNMENT ACTION

On the orders of the day:

Mr. John R. Matheson (Leeds): Mr. Speaker, I wish to direct a question to the Prime Minister and ask whether the government has received any communications since June 20, 1961 from representatives of the international monetary fund criticizing or questioning this government's action in forcing down the exchange rate?

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, I will take that question as notice, and will answer it in the proper course.

TRADE

EUROPEAN COMMON MARKET—MEETING OF COMMONWEALTH PRIME MINISTERS

On the orders of the day:

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, may I ask the Prime Minister a question arising out of his suggestion some time ago that there might be a conference of commonwealth prime ministers to discuss the European common market. Has his attention been called to a statement made in the British House of Commons yesterday, and reported in the press, by the Prime Minister of the United Kingdom that such a conference would be quite unsuitable?

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, I have seen a reference to that matter in the press but as yet have not had *Hansard* in order to ascertain the degree to which the summary in question represents what actually took place. I might say that, as the hon. gentleman knows, it is not the practice for commonwealth prime ministers to comment on the views expressed by prime ministers in other parts of the commonwealth. Each is entitled to follow the viewpoint which he believes is proper.

Tomorrow meetings will commence between Right Hon. Duncan Sandys and four ministers of the Canadian government. These meetings will be in the nature of the United Kingdom government placing its views before the Canadian government. As we see it, these are preliminary discussions.

In so far as the statement is concerned that a prime ministers' conference would be out of place, may I refer the Leader of the Opposition to my words of June 9, 1961, as found at page 6085 of *Hansard*:

I envisage bilateral consultation, official and ministerial, but because of the potential consequences of United Kingdom membership in the common

market, I believe that the fullest consideration should be given to collective ministerial discussion and also, if necessary, to a meeting of the prime ministers.

That still represents the viewpoint of this government.

Mr. Hazen Argue (Assiniboia): I have a supplementary question, Mr. Speaker. I wonder if the Prime Minister could tell the house whether he thinks a prime ministers' conference is necessary in the light of this grave threat to Canada's market.

Mr. Diefenbaker: Mr. Speaker, after the United Kingdom has had the opportunity, through the secretary of state for commonwealth relations, to place before the representatives of the Canadian government the situation as the United Kingdom sees it, then it will be time enough to determine the future course to be taken.

As to the statement regarding the grave consequences, may I say this. Discussions have already taken place between Mr. Sandys and the governments of New Zealand and Australia. Those countries also have discussed the potential consequences, results and implications of the United Kingdom joining the common market. We are going to have the same opportunity now. Having heard in detail what the situation would be from the United Kingdom viewpoint, then it will indeed be early enough to determine the future steps to be taken.

Mr. Argue: I have a further supplementary question, Mr. Speaker. I wonder whether the Prime Minister would comment on Prime Minister Macmillan's rejection of a prime ministers' conference when the Prime Minister of Canada has made no such request?

Mr. Speaker: Order. I think the hon. member's supplementary question was answered earlier by the Prime Minister who indicated that he did not consider it proper practice for one prime minister to comment on another prime minister's statement.

Mr. Pearson: Mr. Speaker, may I ask the Prime Minister whether, in the forthcoming discussions with the secretary of state for commonwealth relations, advantage will be taken of his presence to raise the question of the desirability of extending these European freer trading arrangements across the Atlantic to include the United States and Canada?

Mr. Diefenbaker: Mr. Speaker, the discussions that are to take place will require considerable time. Ancillary and additional matters will of course receive the consideration which the time available makes possible.

[Mr. Diefenbaker.]

NORTHERN AFFAIRS

SAN FRANCISCO—OPENING OF TRAVEL BUREAU OFFICE

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I wish to address a question to the Minister of Northern Affairs and National Resources. In view of the many requests from British Columbia organizations and members of parliament for the establishment of an office of the Canadian government travel bureau in San Francisco, in view of reports to the effect that the minister has recently visited that city in this connection, and in view of the general interest of the house in the minister's activities, has the minister anything to report to the house with respect to his recent visit to San Francisco?

Hon. W. G. Dinsdale (Minister of Northern Affairs and National Resources): Mr. Speaker, I thank the hon. member for this question, because it gives me an opportunity to inform him and the house that the tourist bureau in San Fransisco was officially opened on Monday afternoon. I was able to be present representing the government of Canada.

It was a very successful occasion. Various state authorities were present, including former Senator Knowland. There were representatives from most of the consulates in the city of San Francisco. His Worship Mayor Christopher officially cut the ribbon declaring the centre open. Personally I was impressed with its location. It is in one of the most strategic corners of the city of San Francisco and should do much to stimulate tourism, particularly to the western parts of Canada.

I should also add that the province of British Columbia is following the good example of the federal government in this regard and it is going to locate British Columbia house in the same district.

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, may I ask the minister whether he was able to stay over in San Francisco for the all star baseball game?

Mr. Dinsdale: Mr. Speaker, we were so busy on official duties during the very short visit to the city of San Francisco that I was only vaguely aware this event was taking place.

Mr. McIlraith: That is too bad.

Mr. Dinsdale: But I do assure the hon. member that had the opportunity been presented I would have accepted with enthusiasm.

GRAIN

STATEMENT ON DELIVERIES TO FEED MILLS

On the orders of the day:

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, yesterday the hon. member for Assiniboia asked me the following question:

> In view of the fact that the new crop year is just a few weeks away, and the government has stated there would be a review of the policy of the wheat board in relation to the delivery of grain to feed mills, has any consideration been given to this policy—

While that question was directed to me, I think it should be answered by the Acting Minister of Agriculture.

Hon. D. S. Harkness (Acting Minister of Agriculture): Mr. Speaker, in November, 1960 the Canadian wheat board announced a new policy in respect of deliveries by producers to feed mills, which was to remain in effect until the conclusion of the present crop year on July 31 next, at which time this policy would be subject to review by the board.

In the application by a feed mill for designation as a non-quota feed mill provision is made whereby the mill will supply periodically to the board information in respect of its purchases of wheat, oats and barley from permit holders. The final report from the mills must be submitted to the board on or before August 15, 1961. This information will form an integral part of the data to be considered by the board in the review of its feed mill policy and, as a consequence, this review cannot take place until subsequent to August 15, 1961.

In the interim it is the intention of the board to extend its present policy beyond the end of the current crop year until the review of its feed mill policy can be completed, which should be toward the latter part of August, 1961.

EXTERNAL AFFAIRS

BERLIN—REQUEST FOR CLARIFICATION OF REMARKS OF PRIME MINISTER

On the orders of the day:

Hon. Paul Martin (Essex East): Mr. Speaker, I should like to ask a question of the Prime Minister based on a speech he made in Winnipeg on the 9th of this month, and more particularly on this statement in the Prime Minister's speech as reported in the press:

> We need to be strong and unhesitating in our defence of essential western rights and obligations . . . We need at the same time to maintain a calm judgment so that we will not overlook possibilities of compromise which, without amounting to appeasement, might none the less contribute to peace.

Inquiries of the Ministry

May I ask the Prime Minister to outline to the house, with regard to the East-West German problem, what he means by "compromise" in the Berlin situation and "appeasement" in the same situation.

Right Hon. J. G. Diefenbaker (Prime Minister): While discussions are going on relative to this matter designed to bring about a degree of unity which has not always been present among the NATO countries, I think the hon. gentleman would agree that it would be inappropriate at this time to go into detail.

Mr. Martin (Essex East): I ask the Prime Minister whether his attention has been called to the statement of Chancellor Adenauer yesterday that there could be no compromise in the Berlin situation.

Mr. Diefenbaker: I noticed the report of that statement.

NEWFOUNDLAND—SUPREME COURT REFERENCE RESPECTING PEPPERRELL AIR BASE

On the orders of the day:

Hon. J. W. Pickersgill (Bonavista-Twillingate): May I ask the Minister of Justice how soon the government expects to be in a position to make the joint reference to the Supreme Court of Canada with respect to the Pepperrell air base at St. John's, which was agreed upon between the Prime Minister and the premier of Newfoundland some time ago, and I think it was actually announced in the house?

Hon. E. D. Fulton (Minister of Justice): I am not in a position to give a definite reply to that question. I had a meeting with counsel for the government of Newfoundland some two or three weeks ago at which the question of bringing it on as early as possible was explored. I would certainly hope that the terms of reference might be agreed upon in time for argument at the sitting of the court this fall.

Mr. Pickersgill: May I ask the minister a supplementary question. Does he not appreciate that until some arrangement is made about this matter this very valuable property which ought to be in use is not in use?

Mr. Fulton: I understand there have been discussions between my colleague the Minister of National Defence and the premier of Newfoundland with a view to finding some method of making it possible to use the property. I am not aware of what has been the outcome of those talks. I know there have been difficulties arising from time to time.

Mr. Pickersgill: I wonder whether the Minister of National Defence has anything he can usefully say about this problem at this time.

Inquiries of the Ministry

Hon. D. S. Harkness (Minister of National Defence): Mr. Speaker, there was a joint board set up to operate the dock or the pier particularly, and that has now been in operation for a considerable number of months. There was another board set up to take over actual possession of the rest of the Pepperrell base from the United States, and I proposed to the premier of Newfoundland that if he wanted to make use of the hospital, which was the building in that complex of particular interest to the province of Newfoundland, there was no reason why this should not be done. I have not heard from him since in that connection.

TRANS-CANADA AIR LINES

REQUEST FOR REPORT ON LABOUR DISPUTE

On the orders of the day:

Mr. Frank Howard (Skeena): Mr. Speaker, may I ask the Minister of Labour whether he can give the house any up to date information on the progress of negotiations between Trans-Canada Air Lines and the Canadian air lines flight attendants association.

Hon. Michael Starr (Minister of Labour): The progress I can report on this dispute, Mr. Speaker, is that they are continuing their talks and we hope through that process we shall be able to arrive at an agreement.

Mr. Hazen Argue (Assiniboia): May I ask a supplementary question of the Minister of Labour. Has the minister received a telegram from Mr. Robert Smeale, business manager of the C.A.L.F.A.A. in which he makes a further complaint of the continuing intimidation of employees by T.C.A.? How does the minister square this with the statement yesterday that there had been no further complaint on this question?

Mr. Starr: No such telegram has yet been brought to my attention.

Mr. Argue: It was supposed to be in your office.

Hon. Paul Martin (Essex East): A supplementary question. Can the Minister of Labour not say that perhaps the telegram in question has been sent, if not to the Minister of Labour, to the Prime Minister?

Mr. Starr: I do not know where the hon. member gets all this misinformation.

Mr. Martin (Essex East): Is the Minister of Labour not aware that all leaders of the parties, the Leader of the Opposition and the leader of the C.C.F., have received telegrams? It is unusual if the Minister of Labour or the Prime Minister has not received one.

Mr. Starr: I am not aware of that.

[Mr. Pickersgill.]

LABOUR CONDITIONS

WINTER WORKS PROGRAM—REQUEST FOR EARLY ANNOUNCEMENT

On the orders of the day:

Mr. J. P. Deschatelets (Maisonneuve-Rosemont): Mr. Speaker, I should like to direct a question to the Minister of Labour. Will the minister say what plans for the extra winter works program have been decided on? If so, will he let us know what this program is?

Hon. Michael Starr (Minister of Labour): As soon as a winter works program has been decided on by the cabinet it will be made known.

(Translation):

TRANSPORT

SOULANGES CANAL—REASON FOR REFUSAL OF OFFER TO BUY

On the orders of the day:

Mr. Marcel Bourbonnais (Vaudreuil-Soulanges): Mr. Speaker, I should like to direct a question to the Minister of Transport. Could the minister state the reasons why he refused the offers that were submitted to him for the purchase of the Pointe des Cascades area along the Soulanges canal, which had been put on sale by his department?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, we have refused to sell the Pointe des Cascades areas to private enterprise for the following reason. The department of fish and game of the province of Quebec did not accept our original offer, and its representatives indicated that they would cancel all plans for the development of parks and a fish hatchery in the Soulanges canal area if we sold a single section of the 14 miles of land along the canal.

In view of that attitude on the part of the provincial government, we had no alternative but to reject the offers we had received.

(Text):

DOMINION-PROVINCIAL CONFERENCE

INQUIRY AS TO MEETING TO AMEND CONSTITUTION

On the orders of the day:

Hon. L. B. Pearson (Leader of the Opposition): May I ask the Minister of Justice whether he can bring the house up to date on the progress of the conference with the provinces on constitutional amendments?

Hon. E. D. Fulton (Minister of Justice): Since the time of my last report to the house in answer to questions, I have been in communication wtih provincial attorneys general to have the meetings resumed in June or September. It was not possible to set a date

in June. A date has been set in September; if my recollection is correct, September 12.

Mr. Pearson: May I ask the minister whether in the course of those constitutional discussions the question of Senate reform has been raised?

Mr. Fulton: No, Mr. Speaker; that was not a matter which at that time it seemed appropriate for us to consider. Whether or not the situation in that regard has changed I will leave it to the hon. gentleman himself to speculate on.

INCOME TAX ACT

Hon. Donald M. Fleming (Minister of Finance) moved the third reading of Bill No. C-120, to amend the Income Tax Act.

(Translation):

Mr. Gabriel Roberge (Megantic): Mr. Speaker, when the committee considered this bill, and particularly when it considered clause 19, if the official opposition had not, through the hon. member for Laurier (Mr. Chevrier), raised the matter of grants to universities, the arrangement made with the province of Quebec in 1960 and represented in this house as a great victory over provincial autonomy would have lapsed without the members of this house being made aware of it, and particularly without hon. members on the government side knowing about it. Obviously this arrangement would also have expired without any notice being given to the government of the province of Quebec.

(Text):

In other words, Mr. Speaker, the bilateral arrangement worked out in 1960 would have been terminated wisely but certainly not with dignity.

(Translation):

I should like at this time to recall briefly the background of this unilateral action on the part of the central government. First, may I call the attention of the house to the discussions that took place in committee on clause 19 last Monday.

In reply to a question raised by the hon. member for Laurier as to the reasons why the government had terminated this arrangement with the province, the Minister of Finance made this statement, as recorded on page 7813 of *Hansard* for July 10, 1961:

> Mr. Fleming (Eglinton): We were asked to leave out of this year's legislation, whether income tax legislation or federal-provincial fiscal legislation, any reference to the kind of arrangement that was made in 1960 and to provide for an alternative arrangement in respect of the university grants.
>
> Mr. Chevrier: May I ask the minister who asked the federal government to do this?
>
> Mr. Fleming (Eglinton): Premier Lesage.

This vague answer of the minister was not deemed satisfactory by the opposition, especially by the hon. member for Laurier who later in the same debate returned to the charge, as reported on page 7817 of *Hansard* of last Monday, by asking the following question:

> Mr. Chevrier: Let me use the minister's own words. He was asked by the premier of the province of Quebec not to bring this matter into the scope of the new arrangements. I should like to ask the minister when this conversation took place. He has already said that it was during the course of the last federal-provincial conference in February. Could the minister be a little more specific and say whether it was at the opening, during the course of, or at the end of the conference?

This is what the Minister of Finance replied:

> Mr. Fleming (Eglinton): It was not during the course of the conference proper. It was a discussion held outside the conference.
>
> Mr. Chevrier: Was there anyone present?
>
> Mr. Fleming (Eglinton): No, not at that time.
>
> Mr. Chevrier: Could the minister say whether it was on the first or second day of the conference?
>
> Mr. Fleming (Eglinton): I can locate it by saying to the hon. member that it was during the evening of the governor general's dinner.

Everybody in this house was under the impression at first that this matter had been discussed in plenary session during the talks and meetings that were held here in Ottawa between representatives of the federal and provincial governments.

Now, following the questions asked by the hon. member for Laurier, the minister told us that it was just an intimate conversation which took place during or after a dinner given by His Excellency the Governor General. That is not all, Mr. Speaker. We learned yesterday that the version which the Minister of Finance gave to the house is not true to the facts. His statement was most emphatically contradicted by the other interested party, the premier of the province of Quebec. Indeed, here is what he said in that connection:

> I read in the newspapers, this morning, a Canadian Press report on a debate which occurred in the House of Commons yesterday concerning federal grants to universities.
>
> It is reported in that dispatch that the Minister of Finance (Mr. Fleming) stated that I have asked him to leave out of the legislation "any reference" to the agreement signed in that regard, in 1960, with the Quebec provincial government.
>
> I must say I have never made such a request to Mr. Fleming. There has been no communication between the Minister of Finance and myself, either orally or by letter.
>
> The subject was discussed briefly in the course of a friendly and private conversation during a dinner given by His Excellency the Governor General, in February. We discussed together the proposals I made as early as in July 1960 concerning the federal government's gradual withdrawal

from the joint programs and the progressive return to the provinces of their taxation rights so that the latter may fully meet their obligations in that respect.

From one thing to the other, we got to speak about Bill C-56 which has become chapter 13 of the 1960 federal statutes. I have never asked or even suggested the abolition of the 1 per cent abatement granted corporations in the provinces which handle university grants themselves.

I just reiterated to Mr. Fleming some criticism I had, in any case, publicly voiced before, against one provision in Bill C-56. I am thinking of the clause allowing the federal government to deduct from equalization payments the surplus revenue which the additional taxation of 1 per cent yields to a province—which is the surplus amount received from the federal government by the universities under the federal act. I added that we should try to find something better to fully safeguard provincial autonomy. As far as I remember, the conversation on the subject did not go any further.

I repeat that I have not since received any communication from Mr. Fleming or from the Prime Minister and that I myself did not get in touch with the federal government or with any of its ministers or officials.

Needless to say that I was greatly surprised this morning at reading this item announcing one-sided action by the federal government. There is certainly a misunderstanding somewhere. I fully trust that the federal government will be ready to start negotiations with us to settle the matter, said Mr. Lesage.

Mr. Speaker, this is not the first time during the last weeks that statements by the Minister of Finance have been denied. It would be useless to quote other instances of such incidents which are familiar to all. But this new incident is of very great significance and extremely serious, because it endangers good relations between the central government and the provincial governments, those relations being essential to the good operation of our administrative system.

(Text):

Mr. Speaker: Order. I remind the hon. member that the debate is on third reading of the bill, and that discussion should be relevant to the bill as it has been reported from committee and not to extraneous matters which are not covered in the bill. I am not sure to what section of the bill this question of university grants relates, but it seems to me that the course the hon. member is following just now goes beyond the subject matter of the bill.

Mr. Roberge: I say to you with great deference, Mr. Speaker, that my remarks are related to clause 19 of the bill as reported from the committee and as now before us for third reading. If I may be allowed to go ahead I have only a few more sentences.

(Translation):

I should like to recall once more, Mr. Speaker, that last year a great number of Quebec members supporting the government, including the Minister of Transport (Mr. Balcer), the Associate Minister of National Defence (Mr. Sevigny) and the present Secretary of State (Mr. Dorion), rose in the house to praise the Minister of Finance and to commend him for having at last found a formula which, in their opinion, was a satisfactory solution to the problem. I trust that, in the course of this debate on third reading, we will hear these ministers criticizing now the Minister of Finance for the inaccurate report he made last Monday of his private talks with the Quebec premier and for the unilateral action he has taken.

I trust also that the minister himself will inform us before long of his intentions in that matter and that he will tell us what new formula he expects to propose to the province of Quebec as far as university assistance is concerned.

(Text):

Mr. M. J. A. Lambert (Parliamentary Secretary to the Minister of National Revenue): Mr. Speaker, I rise to point out that what has been alleged to have been said by Mr. Lesage was taken from press reports. Leaving aside the possibility of inaccuracy or error arising from condensation of his remarks, it should be pointed out that the Minister of Finance during the course of the debate indicated that he had informal discussions or conversations with Mr. Lesage in this regard. Mr. Lesage admits that such conversations took place, although he does not place upon them the interpretation placed by the minister.

I remind hon. members that while no one can comment on what transpired at the in camera sessions, Mr. Lesage outside the in camera meetings did publicly discuss in complete and full detail the various features of the government's proposal. In fact one might say he dotted the i's and crossed the t's. I believe I am correct in saying that at no time did Mr. Lesage refer to the question of university grants within the framework of the government's proposal. If following that he was dissatisfied that this was not discussed within the framework of federal-provincial relations, if he felt it should have been in the government's proposal, or if he did not feel in accord with what was said by the Minister of Finance, certainly one might have expected some comment from him either at that time or since.

It is clear that this legislation will continue in force until March 31, 1962. There has been no indication on the part of the government that any other course would be followed. The Minister of Finance indicated his willingness to meet with authorities of the province of

Quebec to discuss this matter and make mutually suitable arrangements. The position of the minister has not changed since he made that statement. From the events that have transpired it is clear that there must have been some understanding that the matter was not to be discussed at the time of the conference.

Some hon. Members: Oh, oh.

Mr. Lambert: Hon. members who now protest that statement were not present at the conference. Certainly there was no comment indicating a possible change. It is clear that there is no difficulty concerning the effecting of a satisfactory arrangement between the federal government and the province of Quebec or between the federal government and any other province that wishes to adopt this course between the present time and the time at which the present arrangement concludes in March of 1962.

Mr. Roberge: Mr. Speaker, I rise in an effort to clarify my position. In his opening remarks the hon. member for Edmonton West said that the statements attributed to Mr. Lesage were drawn from newspaper clippings. I hasten to indicate that what I have cited from the remarks of Mr. Lesage was taken from yesterday's press. Everything I cited appeared in quotation marks, and the words were attributed to the premier of Quebec.

(Translation):

Mr. Martial Asselin (Charlevoix): Mr. Speaker, I listened with great respect and attention to the statement of the member for Megantic (Mr. Roberge) concerning an alleged difference between the statement made yesterday by the Minister of Finance (Mr. Fleming) and the answer which the premier of Quebec saw fit to give the press.

I am under the impression, Mr. Speaker, that the premier of Quebec somewhat misunderstood the statement made yesterday by the Minister of Finance concerning agreements between the federal and provincial governments on the matter of grants to universities. In my opinion, it has been clearly established in the house thanks to the action of the Conservative members from Quebec when Bill C-56 was under consideration last year that educational problems as well as the matter of grants to universities are an exclusive provincial prerogative.

The statement of the Minister of Finance yesterday did not go against the principle established last year, as a matter of fact the minister did not say that the government was now prepared, before the agreements expire in 1962 to propose to the government of the province of Quebec another formula regarding university grants.

If we correctly understand the meaning of his words, we can see that the Minister of Finance clearly expressed in my opinion that the principle which has been recognized under Bill C-56, will be kept in force until 1962. So this arrangement in Bill C-56 shall remain in force for the province of Quebec until 1962, but the minister also indicated that should the province of Quebec be willing to discuss another form of arrangement after 1962, this government would be prepared to open discussions with the premier of Quebec.

I feel there has been a storm in a teapot over the statement made by the Minister of Finance, as well as the reply of the Quebec premier. An attempt has been made to muddle things up in order to gain political advantages.

I do not wish to express here the Quebec point of view, but I might say that, as long as the agreement under Bill No. C-56 is in existence, until 1962, we, on this side of the house, who represent the province of Quebec, will fight with the utmost energy to safeguard the principle that education should be the exclusive responsibility of the provinces, and that grants to universities be administered by the provinces, as provided under that arrangement.

And I am convinced that the Conservative party which achieved that compromise now helping Quebec universities, will manage, in the light of the discussions held, and whatever party may be in power in Quebec, to uphold that principle and recognize the claims of the province of Quebec.

(Text):

Hon. Donald M. Fleming (Minister of Finance): Mr. Speaker, although I am the mover of this motion I have not spoken in this debate. I should like to say a word by way of clarification of the matter raised by the hon. member for Megantic.

Mr. Speaker: Has the minister leave to take the floor?

Mr. Pickersgill: Mr. Speaker, perhaps the hon. gentleman, as he did the other day, could speak to a question of privilege. I am sure there would be no objection from this side of the house if the hon. gentleman wished to do that.

Mr. Speaker: I am not sure that I am prepared to put that proposition to the house. Perhaps the house would give the minister leave to deal with the only point that has been raised in this debate.

Mr. Pickersgill: Mr. Speaker, the hon. gentleman would have had the right to intervene at the time the hon. member for Megantic resumed his seat, but he did not avail himself of that opportunity. I speak only for myself when I say I would not wish to deny the minister that opportunity now provided he dealt only with the point raised by the hon. member for Megantic, and did not introduce extraneous matters. I am sure my colleagues would consent to having the minister do that.

Some hon. Members: Agreed.

Mr. Fleming (Eglinton): I thank the house, Mr. Speaker. I simply wish to say something by way of clarification of the matter raised by the hon. member for Megantic, which arises out of a statement I made in the debate in committee on July 10 and which has been commented upon by Premier Lesage of Quebec in a statement given to the press yesterday.

Mr. Speaker, it occurred in the discussion which you will find commencing at page 7813 of *Hansard* and principally at page 7817. It was concerning one clause of this bill, namely clause 19 relating to deduction from corporation tax in the case of corporate taxpayers in any province that is a prescribed province under the 1960 amendment. The position is this. I did not wish to give the committee the impression that I had discussed this particular bill with Premier Lesage. I did not wish to do that at all. What I indicated to the committee and sought to make very clear when the matter was raised a second time, as found at page 7817 of *Hansard*, was that the subject of the university grants and the special provision that had been introduced into the Federal-Provincial Tax-Sharing Arrangements Act in 1960, in the case of any province which desired to become a prescribed province because its universities were not accepting these federal university grants, had not been introduced into the discussions at the conference; I refer to the dominion-provincial conference. My reference to my conversation with Premier Lesage, as I said in reply to a question by the hon. member for Laurier, was that this was a conversation that occurred outside the conference. I simply asked the premier whether he wished this subject to be introduced into the scope of the discussions in the conference. He indicated that it was not his wish. Clause 19 of the bill is consequential in nature simply by reason of the fact that the 1960 amendments to the Federal-Provincial Tax-Sharing Arrangements Act which dealt with this subject were given only a two-year life. They conclude under the 1960 enactment with the conclusion of the five-year period under the Federal-Provincial Tax-Sharing Arrangements Act, namely March 31, 1962.

Before that date arrives there must of course be discussions in relation to how this problem is to be met in the future. That consideration was clearly in Premier Lesage's mind and it was clearly in my mind in what I said to the house on July 10. As found at page 7817 of *Hansard*, the first column, I stated as follows:

> This matter as to what happens in regard to university grants will have to be a subject of further discussions between now and the end of this present fiscal year.

Again, as found at page 7818 of *Hansard*, at the top of the page, I stated:

> I make it quite clear that we are not terminating anything. The hon. member—

That is the hon. member for Laurier.

> —talks about our terminating something. We are not terminating anything. We take account of the fact that the legislation which was passed by parliament last year was given by parliament a two-year life. It will expire at the end of the present fiscal year. And all that we are doing here, pending the making of some new arrangement, is to make some provision for what happens at the expiry of that two-year term. It expires with the legislation that parliament enacted in 1960. I am not attempting for one minute, Mr. Chairman, to prejudge what may be done in relation to this problem as from April 1, 1962.

I make it quite clear, Mr. Speaker, that I think there is no occasion for misunderstanding on this matter. Certainly I did not wish, by anything I have said, to give rise to any misunderstanding in relation to either Premier Lesage's position or future discussions that may occur. This matter will certainly have to be discussed. At the present time the province of Quebec is a prescribed province under the 1960 legislation. Its federal corporate taxpayers received an additional 1 per cent abatement in 1960 and the province is continuing in the position, by its own decision, as a prescribed province also this year. Accordingly the federal corporate taxpayers in this province will receive the benefit of that additional 1 per cent abatement on corporation tax in 1961 as well.

As to what happens beginning with next year, that will have to be a matter for discussion. We shall be pleased, of course, to take this matter up with Premier Lesage and discuss it with him at any time that meets with his wish.

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, the minister gave several citations from what he told us in the committee stage in the house, but he refrained from giving one which I now intend to put on the record. It is found at page 7813 of

Hansard, half way down the first column, where the minister is reported to have stated as follows:

> We were asked to leave out of this year's legislation, whether income tax legislation or federal-provincial fiscal legislation, any reference to the kind of arrangement that was made in 1960 and to provide for an alternative arrangement in respect of the university grants.
>
> Mr. Chevrier: May I ask the minister who asked the federal government to do this?
>
> Mr. Fleming (Eglinton): Premier Lesage.

My hon. friend from Megantic has read a statement by Mr. Lesage, who said he did not make that request. Those two statements are in direct contradiction of one another, and no discussion about what may happen in 1962 or any other aspect of the matter will alter that flat contradiction.

Mr. Speaker: Is the house ready for the question?

Motion agreed to and bill read the third time and passed.

DOMINION-PROVINCIAL RELATIONS

AGREEMENTS RESPECTING TAX COLLECTION, ANNUAL GRANTS, ETC.

The house resumed, from Tuesday, July 11, consideration in committee of the following resolution—Mr. Fleming (Eglinton)—Mr. Flynn in the chair:

> Resolved that it is expedient to introduce a measure to authorize tax collection agreements with the governments of the provinces and to provide that the minister may pay to a province, out of the consolidated revenue fund, in respect of any fiscal year in the period commencing on the 1st day of April, 1962 and ending on the 31st day of March, 1967,
>
> (a) a tax equalization payment;
>
> (b) a provincial revenue stabilization payment;
>
> (c) additional annual grants of ten and a half million dollars to each of the provinces of Nova Scotia, New Brunswick and Newfoundland, and of three and a half million dollars to the province of Prince Edward Island;
>
> (d) a further additional annual grant of eight million dollars to the province of Newfoundland;
>
> (e) where a province does not levy a succession duty, an amount equal to the standard estate tax applicable to the province for the fiscal year; and
>
> (f) advance payments on account of amounts collected under a tax collection agreement that may be entered into with the province.

Mr. Pearson: In speaking last evening to this resolution, Mr. Chairman, which deals with new tax sharing arrangements with the provinces, the minister had this to say, as found at page 7910 of *Hansard*:

> It—

That is the new arrangement.

> —has materially increased the return to the provinces from the existing tax sharing arrangements—

Then he also stated:

> Although it has greatly improved the financial substance of the present arrangements, this government has recognized the weaknesses of the tax rental system which it inherited, both from the provincial and federal standpoint, and has become increasingly convinced of the need for a new approach which would give greater freedom and responsibility to the provincial governments, and which would be compatible with the constitution.

The minister then proceeded to show how greatly the provinces would benefit under these new arrangements. We do not propose to discuss the resolution at great length, Mr. Chairman. As I said last night, we will reserve our detailed consideration of this matter for the bill itself. However, if this new arrangement was so advantageous to the provinces as the minister indicates it was, it is very strange that the provinces, or at least most of them, should have been so ungrateful in their reception of it and so lacking in appreciation for this new deal. When these new arrangements were announced the premier of British Columbia expressed great disappointment that British Columbia would get no equalization grants, and he found other things to criticize in the arrangement. On February 27 the premier of Alberta told the Alberta legislature that the provinces of Canada were given "no option" at a federal-provincial fiscal conference in Ottawa on the Thursday and Friday before. He went on to say:

> —the federal government left no door open for the provinces to choose between the new taxation program outlined them and the tax rental agreements presently in force.

Then he indicated his disappointment with these arrangements. That is two provinces. Then we come to Saskatchewan, where the provincial treasurer said on February 28 that the dominion-provincial tax sharing arrangements proposed by the federal government would not benefit Saskatchewan or its local governments. He then told the Saskatchewan legislature:

> —the proposals would merely "freeze us to the level of payments we would have received under the present arrangements."

He went on to say this, according to the Canadian Press report:

> Abandonment of the tax rental system means there can be no leadership expected from the federal government in preventing a return to the "tax jungle of the 1930's".

That is something I mentioned last night. Then Mr. Lloyd had this to say:

> More important, it means the federal government will have lost the last vestige of control over the use of income taxation as a means for combating unemployment and stimulating economic growth.

So Saskatchewan was bitterly disappointed over these arrangements. Now we come to Manitoba, where the premier, according to a report in the Winnipeg *Free Press*, said this—

Mr. Fleming (Eglinton): What date?

Mr. Pearson: The date is April 8 and these words appear in an article by John Dafoe:

The new federal-provincial tax agreements which go into effect in 1962 won't likely produce any extra revenue for Manitoba until the 1964-65 fiscal year, Premier Duff Roblin told the legislature Friday.

The premier went on to say there were some good features in the agreement of which he approved. I do not wish to give a one-sided impression of his reaction. He also went on to say, and apparently this is the best Mr. Roblin could say:

"On the whole", Mr. Roblin said, "the new plan does Manitoba no harm at present and, in the latter years of the agreement it is likely to do some good through moderately increasing provincial revenues. It is, nevertheless, disappointing that the province is to receive no immediate increase in the new proposals as compared to the old agreements".

He also said this:

—"the lowering of the equalization level from the average of the top two provinces to the Canadian average would, by itself, seriously impair Manitoba's position".

Now we come to Ontario. As the richest province Ontario comes out of these arrangements better than any other province, but according to Premier Frost the arrangements fell—

—"far, far short" of the annual $150 million of additional revenue he had sought to negotiate in the two days of talks with Prime Minister Diefenbaker and Finance Minister Fleming.

Then he added:

"Additional taxes are our only possible alternative"—

We know what that meant; a sales tax. So the premier of the province that did the best out of these arrangements was singularly modest in his expressions of appreciation. So far as the premier of Quebec is concerned the Canadian Press story had this to say on February 24:

Premier Jean Lesage's first reaction to the news that his province would receive not a cent more from the arrangement was one of naked anger.

I think we can leave that reaction there. Then we get to the Atlantic provinces. Of course the reaction in three of the four Atlantic provinces was much more favourable. In New Brunswick the premier said the new taxation proposals "would do lasting harm" to his province. The premier of Nova Scotia —I wish to quote all the reactions, favourable and unfavourable—was more satisfied with the arrangements and expressed that satisfaction in measured terms. The premier of Prince Edward Island was satisfied. The premier of Newfoundland was pleased with the inclusion in the arrangement of the $8 million grant for five years in lieu of the constitutional grant flowing from act of union under term 29. This is satisfactory, of course, as far as it goes, but it does not meet the point that this grant to Newfoundland was guaranteed by the act of union and should not depend on action by this parliament. However, there it is for five years, and I am sure the government and the people of Newfoundland will be very glad to receive it.

Mr. Chairman, this shows that in general the provincial reaction to the new tax sharing arrangements was not the kind one might have expected if in fact these proposals will do as much for the provinces as the minister indicated last night. To illustrate this the minister put some interesting tables on the record. As I said, we will in due course submit our own tables. There is one table to which I wish to refer particularly. That is table 3, which is headed:

Hypothetical illustration of provincial revenues for the year 1962-63 under new formula assuming—

This is the assumption that is made. I hope it is a more accurate assumption than others which have been made in this field by the minister:

—assuming rate of growth of 5 per cent per annum in tax yields and no change in the 1961-62 percentage distribution by provinces of tax yields or population.

I ask the minister now if he will also submit and put on the record a projection of this table for the four years after 1961-62. If these figures can be collected and made public for the one year, surely it is possible to do this for the subsequent four years of the agreement. We would certainly like to have that information, because without it the whole story is not told.

Our main quarrel with these new tax sharing arrangements and this new formula is the weakening of the principle and the application of the principle of equalization. In this connection let me quote what the Prime Minister said on July 25, 1960 in words which surely constituted a formal pledge to the premiers of the provinces. The Prime Minister said this:

I want to make this abundantly clear on behalf of the dominion government that whatever the ultimate decision may be, the principle of equalization must be preserved.

No doubt the minister will tell us the principle is being preserved. But at that time the Prime Minister went on to explain what he meant by the principle and what he understood to be the application of the principle, which is even more important, when he defined equalization in these words:

—a payment by Canada to the provinces to bring the per capita return from the three taxes at standard rates up to the average per capita yield in the two provinces in which per capita yield is

highest. For provinces in which the tax potential is relatively low, this principle is most important.

By "principle" he meant bringing up the per capita yield in the other provinces to that of the two highest provinces, not the national average. This is a formal, specific, definite pledge and that pledge is abandoned for something else, Mr. Chairman, in these new arrangements.

This new formula has been put forward by the government in a form which I think could very easily deceive and which, indeed, has already deceived the layman, the non-expert in this field. It appears to increase gradually the provincial share of personal income tax without, as the minister claimed last night, unduly weakening equalization. We claim that this impression is altogether unjustified. When we look at the new formula itself without the guarantees and the grants and the arrangements which were substantially attached to it, we find that only one province can benefit, and that is the richest province of all, and that all the other provinces will be worse off for the first few years during which the arrangements will apply, though that situation in some cases changes during the latter part of the agreement.

While the so-called new formula, then, would give $18 million more, I believe, to Ontario in the year 1962-63, all the other provinces would lose in that year as compared with the present arrangements in spite of the higher rates on personal income tax, through the lower equalization basis, because the basis of the two top provinces has been abandoned for the national average. Even though a new factor has been added, a new growth factor, nevertheless the receipts by the other provinces would be lower because of that fact.

Therefore what has been presented by the government as a new general formula is, at best, a formula which in the early stages would benefit the richest province only. Since the so-called general formula was clearly not applicable to all the other provinces, a lot of patchwork had to be done until we have these special arrangements, these special deals, if I may use that expression, designed to remove some of the original inequities.

There is a special grant, of course, to the Atlantic provinces. The existing grants are, I believe, increased by $10 million a year. But the Atlantic provinces will receive only $5½ million more in 1962 and 1963 than they would receive if the present arrangements were continued, because of the application of the equalization formula. Of the additional $10 million which is provided, $4.5 million will be needed to fill the gap between the present arrangements and the new formula. It is only after four years that the Atlantic provinces will benefit fully from the additional $10 million, that is in 1965-66.

Then another arrangement is offered to Quebec, Manitoba and Saskatchewan, three provinces which will be below the national average for equalization purposes. That arrangement is a guarantee that during the next five years those provinces will not receive less than if the present arrangement had merely been extended. Under such a provision I admit that those three provinces will not be worse off. Quebec and Manitoba will begin to benefit slightly under the new formula in the last year of the new arrangements, that is in 1966-67. But Saskatchewan will never benefit during this period. These three provinces, therefore, will continue to live under the conditions of the existing arrangements during the next five years. For all practical purposes they will gain nothing; therefore their disappointment is easily understood.

Then, of course, a fourth arrangement is offered to Alberta and British Columbia, two provinces which would be above the national average. These two provinces do not receive less during the next five years than they got on the average during the last two years of the existing arrangement, that is in 1960-61 and 1961-62, as compared with the extension of the existing arrangements. However, as compared with an extension of the existing arrangements, Alberta will always be worse off under the new system. My calculation shows that Alberta will lose about $20 million in the next five years under the arrangement now contemplated. British Columbia will lose in the first two years and gain during the last three years. In the aggregate, if my calculations are correct, British Columbia will gain about $7 million during the next five years.

It is our contention that this new formula, these new tax sharing arrangements, weaken the principle of equilization; that they create rather than remove regional inequities as compared with the existing arrangements, and that these inequities will result from the lowering of the equilization base. Some of the provinces will be hurt. The per capita revenue in 1966-67, when the new system will yield its maximum benefits as compared to the present system, will be lower in Alberta, about the same in Quebec, Saskatchewan and Manitoba, and higher in the other provinces.

It must be observed also, and this is certainly important, that all the provinces in Canada under these arrangements will lose in relation to the richest province, the province of Ontario. Surely it is not a good thing for national unity, for one federal system and for national development to neglect to act

in a way which will bring the less rich provinces into alignment, as far as that can be done by federal help, with the richer provinces.

These are the reasons why we disapprove of some of the aspects, and some of the important aspects, of this new program, and why we cannot go along with the minister in his extravagant praise of this new deal brought about after four years of conferences with the provinces; brought about, the hon. gentleman said last night, in a way which would cause great satisfaction in all the provinces which would benefit by it, but which seems to have been received in most of the provinces with disappointment and only in one or two with satisfaction.

Mr. Regier: It is the opinion of this group that this is by far the most important legislation which we have had before us since the house opened last November, because this has to do with the development or otherwise of the Canadian people as a nation.

As you know, Mr. Chairman, I represent a constituency in the province of British Columbia. I admit at once that I believe that in the long run, if we were to regain our original rights, or if our original right to levy our own levels of personal and corporation income tax were to be returned to us, British Columbia would be much better off than if the agreements were to be continued. However, I should like to think I was a Canadian before I was a British Columbian, and I believe most British Columbians would accept the responsibility of being Canadians ahead of any feeling they might have for their own welfare within the province.

We know that on a per capita basis we are one of the wealthiest and fastest growing provinces in Canada. We believe that the legislation forecast in this resolution is contrary to the intent of the fathers of confederation, who worked so hard and overcame so many difficulties to achieve the necessary teamwork and co-operation among the then existing colonies to lay the beginnings of one nation that was intended to extend from the Atlantic to the Pacific. We believe that in these proposals the government are not now supplying the leadership that is essential to the growth of Canadian nationhood. We believe they are supplying leadership in the wrong direction, and that this will hurt what we like to think is at least a developing nationhood.

We do not believe in centralization; we believe in the federal system of government. However, we now have responsibilities on all levels of government that were not even contemplated when Canada was first formed in 1867. I am sure if the fathers of confederation had been able to foresee the needs of the Canadian people in 1961 they would have made many arrangements other than those that were arrived at. I am sure that were they here today they would not applaud the spirit that is behind the resolution now before us.

We do not want centralization. We need to continue, for very valid reasons, our federal concept of government. However, this ought not to prevent growing co-operation among all levels of government. This abrogation of the spirit of dominion-provincial tax sharing, this abrogation of the spirit of that legislation which we have had on our books now for so long, is not likely to lead to closer co-operation. It is more than likely to lead to greater divergencies, to greater discrepancy, to greater bitterness not only among various levels of government but also among various areas of Canada in their relationship one to another.

We realize that the path to harmony under our system of government is strewn with many obstacles indeed, that the difficulties are great; but we have confidence. We believe we have more confidence than the government of our day in the basic good intention and feeling of patriotism that exist in the hearts of all Canadian people from coast to coast. We feel that this legislation of desperation, as I would call it, is not crediting the Canadian people with the basic qualities that we believe they have. We contend that had there been a real will a way might have been found to resolve this problem in an altogether different manner from that that is now being proposed.

I know the minister is predicting all kinds of safeguards in the legislation to come before us so there shall be no undue hardship imposed on any of the provinces, but in essence what this government are proposing is that they are intending to desert a system whereby national agreement was reached and provinces were entitled to things as Canadians. That is to be replaced by what in effect is everybody for himself, and we shall in effect give hand-outs to our poorer relatives in other parts of Canada. I do not think the poorer provinces of Canada will take kindly to this new atmosphere that is to be created.

The people of Nova Scotia have rights as Canadians, and they do not want to feel that they are dependent upon the big-hearted Minister of Finance in Ottawa who may arbitrarily, in the years to come, have unto himself the right to determine the fate of the people of Nova Scotia, and be able to determine how much money we will be prepared to let the people of Nova Scotia have out of the national treasury.

We not only believe that this is a turning back of the clock with respect to the development of Canadian nationhood, but we also regret that this represents in essence a new low in our dealings with the provincial governments. We used to have the courtesy at least of sending them telegrams. The minister was severely criticized at the time he began to substitute the sending of telegrams to the heads of provincial governments for consultation. As the hon. member for Bonavista-Twillingate so rightly corrected me the other day, in effect in the atmosphere that now prevails the policy is "take it or else" and this has been made very plain. I was pleased to hear the leader of the official opposition say that at least the head of one government has complained that they have been left with no option, no open door. As I understand the language of no open door, this means that the federal government has decided in fact that there shall be no consultation any more to see whether agreements mutually satisfactory might not be arrived at. Now the provinces are told "take it or else".

In many respects it has to be "or else". If the provinces want to take advantage of federal collection machinery they will have to conform to very stringent and almost impossible conditions. I can tell the minister right now that if he insists on those conditions the province of British Columbia will have to collect its own income tax. It is absolutely unrealistic to expect a province that is as wealthy in natural resources, especially in the basic industries, to comply willingly with those terms. I am convinced that in its own interests the government of British Columbia will have to establish its own collection machinery. We in that part of Canada at least now know that we shall have a double system of income tax and in effect a return to the tax jungle of the hungry 1930's.

We believe the Minister of Finance of the province of Saskatchewan really hit at the essence of this policy when he said that the federal government is now proposing to abdicate its ability to combat recession and unemployment. What is going to happen? If the federal government decides that in order to stimulate the economy of our country a 5 per cent reduction in income tax is reasonable and desirable, the minister knows very well what the hard pressed provincial governments will immediately do. If the federal government for national purposes deems it advisable to reduce income tax levels by 5 per cent, each of the provincial governments will immediately absorb that 5 per cent and the intent of the federal government for national purposes will immediately have been vetoed. Vice versa, if the federal government feels at some time that it needs to increase the levels of income tax there will be a great desire on the part of politicians on the provincial level to make good fellows of themselves, especially if they are politically opposed to the government at Ottawa. Their inclination will be to reduce the income tax by as much as the federal government raises it, so they will be able to go out on the hustings and say to the voters "Look what evil people the members of the federal government are; they have raised your income tax, but we good politicians, friends of the people, have lowered the income tax".

This will not lead to harmony. It will lead to disharmony. It will lead to one level of government being played off against another level of government. It will lead to the introduction of political aspects into this whole field, and the federal government will find that it has tied its hands with regard to its ability to accept responsibility for the national economic welfare.

The federal government will find that it has in effect deserted its responsibility with respect to the particular needs of hard hit regions of Canada. The federal government should realize that it is now proposing to desert the desire of all Canadians that there should be basic national minimum standards in the fields of health, education, welfare and highways, and that there should be teamwork in the matter of forest fires and so on.

I express the opinion that our nation is already far too deeply involved in the field of co-operation, in the field of the sharing of responsibilities between the two levels of government, for the federal government to attempt at this late date to turn back the tide. I should like to read one sentence from a book entitled "Law and Policy" by J. A. Corry, vice-principal of Queen's University and acting dean of the faculty of law. On page 62 he has this to say:

> Federal spending now supports so much of the established political, social and economic structure that there is genuine reluctance to take steps that might wipe it out.

The book was published in 1959, and the passage I have read is taken from a lecture delivered by Professor Corry in 1957. I am sure that as recently as 1957 no leading thinker in our nation ever expected that the day would arrive when we would have in office a federal government that would attempt to push back the tide, that would attempt to turn back the clock; and I would say that the efforts of the government in this respect are going to fail because the Canadian people will not be prepared to accept this scheme.

We have co-operation now between the federal government and the provinces in the field of combating forest fires, in the field of professional education, in the field of university education, in the field of highway construction, in the field of building forest access roads and roads to resources, and in the field of public welfare to ensure basic minimum standards for all Canadians. Every Canadian gets an old age pension of $55 a month no matter where he lives in Canada. Some Canadians receive more. They receive an additional payment from their local government, but every Canadian as a Canadian receives his $55 a month.

We have had for a long time the greatest of co-operation in the field of health and in our attempts to establish basic health services for all Canadians regardless of the province in which they live. The federal government is going to find it very difficult, if not completely impossible, to implement its apparent tendency to hand back to the provinces, as the government says, all the responsibilities and the revenues that constitutionally belong to the provinces. In the book "Law and Policy" some doubts are expressed as to the constitutionality of many of our existing activities where co-operation and the sharing of responsibilities with the provincial governments are involved. However, no leading Canadian has ever dared to test these things before the courts, and Mr. Corry comes to the conclusion that it is a good thing that the designation of particular responsibilities has been absorbed by the political field in Canada and that interpretations and rulings by the judiciary in this regard have been avoided. He feels that it is in the interests of a developing nation that this has occurred. He is rather pleased that political techniques have been employed to overcome at least a number of our major problems in this respect.

We cannot make uniform national progress in Canada if the intentions of the government are going to be pursued. We will find British Columbia becoming richer and Nova Scotia becoming poorer. This is inevitable. This measure will not supply employment to the unemployed miners of Cape Breton. It will not help northern New Brunswick to raise its living standards. It will make the people of Ontario wealthier than they are today, and possibly inadvertently and unintentionally it will result in the spread between the haves and the have-nots in Canada continuing to grow. We believe that the spread between the rich and the poor in the various regions of Canada in which they live should be narrowed. We understand that possibly not in our lifetime will all Canadians enjoy equal rights in all parts of Canada. However, that certainly ought to be our objective; and the activities of this government in the matter of dominion-provincial tax sharing lead us in this group to believe that the government is leading us on to very dangerous paths indeed that will sow the seeds of disunity in Canada and will set Canadians against Canadians.

There is no appeal here to Canadians to come to the conference table and resolve their problems as Canadians. This is an appeal to Canadians to stay at home and ignore the welfare of other Canadians, who will have to make do; but in case they are in very dire need they will have the right to come to Ottawa and out of the goodness of our hearts we will then decide what kind of a hand-out we will give them to help them with their particular problems.

I cannot help but recall the underlying election appeal that our Prime Minister put forward so successfully in 1958. He really took hold of what he felt was a growing Canadianism, an awareness of Canadians as Canadians, and he capitalized on it very successfully on the hustings. I do not hold this against him. I suppose every politician likes to take the innermost feelings of the people and use them in order to commend his own election platform and program. I see nothing unworthy about that. However, I fail to understand how one great Canadian Conservative Prime Minister, Sir John A. Macdonald, could lead the first major move to weld the colonies into one Canada and another Conservative Prime Minister, who I am sure wants to be an equally great Canadian Prime Minister and who won election on the basic appeal to Canadianism, can now, instead of the co-operation we heard so much about, say to our provinces "Take it or leave it".

The government say, "We will give some guarantees to those of you who might otherwise have to suffer unduly, and if you run into serious difficulties we may, out of the kindness of our heart, decide to give you a hand-out." I am sure the founders of this nation meant that a Canadian would be a Canadian from the Atlantic to the Pacific. I deem it to be the responsibility of this goverment to ensure that a boy or a girl in Cape Breton will have the same educational and employment opportunities as a boy or girl in wealthy Ontario or wealthy British Columbia.

This government is steering this country in a direction that it was not intended it should go by those who founded our Canadian nation. If the Prime Minister warns of an election platform upon which he may be willing to appeal to the people, I can tell him that if he goes to the people now Mr. Coyne will have

been forgotten after the first week of the election campaign and this will be the big issue. I am sure we will win out on it.

Mr. Martin (Essex East): There are some aspects of this problem upon which I should like to say something, particularly in so far as they concern the province from which I come, the province of Ontario. However, before dealing with those aspects of the problem I should like to say it is regrettable that a matter of this great importance is presented to us by the Minister of Finance just a few days before we are apparently going to adjourn this session of parliament. It is true that the bill based on this resolution is not going to be proceeded with at this part of the session. Nevertheless the resolution having to do with this matter, and of course the related bill, are of such importance that one can legitimately complain about the fact that we are dealing with this measure at this particular juncture.

As a matter of fact, when one thinks of the important legislative measures with which we have dealt in the last three weeks, one can only conclude that we have had a further demonstration of the inept way in which the affairs of this house have been directed by this government.

Mr. Churchill: May I ask the hon. gentleman a question?

Mr. Martin (Essex East): I am not directing my remarks at the Minister of Veterans Affairs when I say that. I am saying we have had important legislation dumped on us like an avalanche during the last three weeks, and this has demonstrated the ineffective way in which our affairs have been directed by this government. Much of this legislation could have been presented earlier in the session, when we could have had an opportunity of giving it careful consideration.

Mr. Browne (Vancouver-Kingsway): If we had not been delayed by the Liberals.

Mr. Martin (Essex East): I am not going to be thwarted by these remarks about being delayed.

Mr. Spencer: It is a fact, though.

Mr. Martin (Essex East): My hon. friend from Essex West now says something in support of what has been said. I may tell my hon. friends that if they want to interject these remarks, they do not divert me in any way. The fact is that we did not have any legislation of a serious nature presented to us up until the dying days of this session, and particularly in the last few weeks. This is a reflection upon the ability of the government to organize its affairs and organize the affairs of this house. Now, that is a fact. We find that included in these important measures is the particular measure which we are discussing at this moment.

The Minister of Finance presented a number of tables, I think no less than seven, in the dying hours of last night's sitting. These tables defy the kind of analysis which we are entitled to have of this problem. We will be able, I take it, in the interval before we come back to make the kind of assessment with regard to those tables that will have a very important bearing upon the contention the minister has made, that the recent federal-provincial fiscal arrangements have been widely received by the provinces. The fact is that the provinces are not happy about this measure at all. The words quoted by the Leader of the Opposition this morning are a clear confirmation of that fact.

May I call it one o'clock?

Mr. Churchill: Go ahead; you have two minutes.

Mr. Martin (Essex East): I shall be glad to go on to accommodate the hon. member.

Mr. Churchill: Will the hon. member permit a question?

Mr. Martin (Essex East): Yes.

Mr. Churchill: The hon. gentleman has suggested that the house is being pressed to consider this resolution. Would he suggest a time for the termination of the session? We have not suggested that we end the session immediately. How many days would he like to spend on the discussion of this resolution?

Mr. Martin (Essex East): Let me tell my hon. friend that we are prepared to stay here as long as there is important public business to discharge.

Mr. Ricard: So are we.

Mr. Martin (Essex East): Let there be no doubt about this. What do we hear in the public corridors, what do we hear in the lobbies both on the government side and on our side? We hear the question, when are the Liberals going to stop debating measures so we, the Tory members, can get home? That is the request that is being made.

Mr. Churchill: That does not answer my question.

Mr. Martin (Essex East): Has my hon. friend any more questions?

Mr. Churchill: My hon. friend has not answered the question. How many days would you like to spend on the resolution stage?

Mr. Martin (Essex East): As long as it is necessary to discharge our responsibilities.

Mr. Lambert: May I ask the hon. member a question? Would he inform us how many of the members of his party are on vacation now?

Mr. Martin (Essex East): Not very many.

At one o'clock the committee took recess.

AFTER RECESS

The committee resumed at 2.30 p.m.

Mr. Martin (Essex East): Mr. Chairman, I agree with what the hon. member for Burnaby-Richmond has said, namely that this resolution takes us back to a period that could be characterized by saying that the taxing opportunities taken by the federal and provincial governments 20 years ago represented a period that was one of confusion and often of uncertainty. This resolution takes us back to the pre-Rowell-Sirois days before 1941. Anyone who is familiar with the history of federal-provincial fiscal relations will appreciate what that means. I also agree that this measure is calculated to bring about a lack of co-ordination in provisions for the standards of living of all Canadians. No matter what the minister may say to the contrary, it will mean that different provinces will have different means and methods of providing for the welfare of their people. There will be inequalities that will be encouraged as a result of the step that is taken in the government's policy embodied in this resolution and announced many months ago; it was announced last fall, to be precise.

However, one cannot fully appreciate the full implications of this resolution by merely examining its expressed provisions. In this resolution there is nothing to indicate the abandonment by the government of procedures that have been followed now since well after the beginning of the second world war. To understand exactly what the government has done one should go back to the assurances given to the Canadian people by the present Prime Minister when, in the opening campaign speech at Massey Hall on April 25, 1957, he said:

> We intend to form a government to immediately convene a dominion-provincial conference to bring about a settlement of these problems, not in the spirit of arrogant domination as displayed by the present government, but in the spirit of unity and amity and with mutual tolerance and respect.

As was said by the hon. member who has just spoken, in this particular bill and all that it represents and all the procedures that were taken in connection with it from the time the government's present policy was announced there is nothing that suggests an effort at unity or an effort at collaboration with the provinces. It is a "take it or leave it" position and is contrary to the spirit implied in the statement of the Prime Minister which I have quoted. In the same speech the Prime Minister said that he was pledged to work out new tax-sharing arrangements with the provinces which would strengthen Canada's federal system and give provinces and municipalities the funds to carry out their responsibilities.

It will be seen that this bill will not give the provinces the funds to carry out their responsibilities. It is therefore only right that at this late stage in our proceedings we should examine the implications of this resolution. As I said before the luncheon recess, when the bill comes before us there will be an opportunity to particularize our reactions to it. At this time, however, I wish to confine myself to one aspect of the consequence of this policy by giving special emphasis to its consequence in the province of Ontario.

It will be recalled that during the course of the present winter officials in the government of Ontario made it clear—and I may say this was early in February—that if they did not get the additional $100 million which Premier Frost said he must have from Ottawa, it would be necessary to impose a further form of taxation in the province of Ontario. As a matter of fact, I am wrong in using the figure of $100 million. While that figure represented the demand made a year and a half ago by Ontario, and also one made by the premier of Ontario in April of 1957, it had grown to not less than $118 million in the month of February of this year.

To understand the full implications of this resolution it should be recalled that in July, 1960 Premier Frost made additional demands on the federal government for a 50-50 share in federal income, corporation and succession duty taxes. At that time the proportion of sharing in these taxes by the provinces was on the basis of 13 per cent of income tax, 9 per cent of corporation tax and 50 per cent of succession duty taxes. Only because of the demands made on his government, Premier Frost pointed out, was it necessary for him to increase this amount. His enthusiasm in 1957 will be recalled, when he approved of this government and particularly of the present Prime Minister, giving every evidence that he fully expected to be able to obtain from the present federal government additional sums of money which he said had been denied his province by the previous administration.

While it is a fact that Premier Frost made his demand for an increase to 50-50 sharing in these three areas of taxation with the federal government, it is also a fact that this

demand was turned down by this government. It was turned down in a manner that I believe warranted the criticism Premier Frost and other members of his government levelled against this administration for its failure to live up to the commitments made and the assurances given by the Prime Minister in his speech in Massey Hall in 1957.

When Premier Frost was faced with the rejection of his request for these additional sums of money, he then sought—it will be remembered—a constitutional amendment to give Ontario the right to levy an indirect retail sales tax. We do know that in October of 1961, the federal government, through the Prime Minister, said there would be no increase in the present sharing of tax revenues.

Mr. Speakman: Are you reading the Prime Minister's mind?

Mr. Martin (Essex East): I beg your pardon?

Mr. Speakman: You said 1961.

Mr. Martin (Essex East): I intended to say that in 1960 the Prime Minister announced there would be no increase in the sharing of revenues with the provinces beyond the formula of 13, 9 and 50 per cent. The Prime Minister then said that in view of the decision of this government not to increase grants as requested by practically all the provinces, the federal government proposed the abandonment of the existing tax rental arrangement with nine of the provinces.

The Minister of Finance has said that the proposal now before us was well received by the provinces. I think it is clear from what the Leader of the Opposition has pointed out that this is not the situation. The premier of Ontario had no hesitation in giving his reaction to this announcement of policy by the government. He said, "This is very far removed from Ontario's requirements. It falls far short". We do know that his dissatisfaction with this announcement of policy was widely shared all across Ontario. Perhaps a report in the Toronto *Globe and Mail* of March 6, 1961 reflects the reaction that exists throughout the province and which immediately followed the announcement by the Prime Minister. The *Globe and Mail* said on March 6, 1961:

> What all of this shows to Ontario, and to the other provinces, is that leadership in fiscal matters cannot be left to Ottawa. Ottawa is not giving such leadership; will not give it for at least another five years, because the new tax sharing system which starts March 31, 1962 runs until March 31, 1967. By that time, the Ontario sales tax—like many another emergency measure—will be solidly entrenched.

The government of Ontario has announced that because of the failure of this government to live up to its commitments and its certain failure to recognize the demands made by Ontario and other provinces, and because of the obligations imposed on the government of Ontario, it had to resort to an additional form of taxation to obtain the necessary revenues which it feels it is entitled to receive from Ottawa.

This is a far cry from the statement made by the Prime Minister in 1957 when he said, "We will make sure the provinces and the municipalities have sufficient money to do the job they are supposed to do". What the Prime Minister and what the government have in fact done is to say to Premier Frost and to the other provinces, "If you need more money, go out and get it yourselves". That is exactly what the province of Ontario has done.

I say that if the Ontario government has imposed a sales tax to be collected some time in the month of September, the main contributing factor in the decision of the Ontario government to provide for this additional form of taxation rests on the shoulders of this government because of the arrangement it is now proposing to the provinces.

I have before me the Ottawa *Journal* of February 23, 1961 and the headline is:

> Sales tax threatened in Ontario.

The article goes on to say:

> Such a tax, Ontario Premier Frost pointedly did not deny, could be the price of failure of the provincial and federal governments to reach an amicable new settlement of the 20 year old issue of tax sharing.

Let no one say that in suggesting the province of Ontario has been compelled to resort to this sales tax because of the failure of this government I am resorting to inaccuracy. This is based on an admission made by the premier of Ontario himself, as I have just indicated, in this story which appeared in the Ottawa *Journal* on February 23, 1961.

Mr. Chairman, we have also the budget of the provincial treasurer for the province of Ontario delivered by Mr. Allan on March 10, 1961 in which the provincial treasurer pointed out the need for additional revenue in Ontario. He pointed out the consequences of the failure of the federal government to recognize the claims made by Ontario and other provinces and then announced, of course, the decision of the government of Ontario to impose a sales tax.

It will be recalled that the provincial treasurer of Ontario had announced that his budget would be presented in the Ontario legislature some two weeks, I believe, or thereabouts, before the date when it was actually presented. It was postponed in the hope that as a result of the conference which was about to take place with the federal government there would be some announcement of policy by the federal government

which would enable the provincial treasurer to change his budgetary proposals. These changes were not forthcoming and in the budget of Mr. Allan of March 10, 1961 there was the announcement of this new policy and its consequences for the people of the province of Ontario.

I do not think I overstate the case when I say that throughout the province of Ontario there is great dissatisfaction over the introduction of this sales tax. I think when we are discussing this matter we should fix the blame where essentially it lies, as was stated by the provincial treasurer and by Premier Frost himself. The Ontario government said, "We need additional revenues. We cannot get sufficient moneys to take care of our obligations because of the failure of the federal government to give us the money to which we feel we are entitled. Consequently, as we have to build schools, as we have to build roads, as we have other obligations to meet, we have no other course but to impose this additional sales tax". I am not saying the Ontario government should not have found another way of providing for the revenues which it felt it required. I am saying that the evidence is clear; the Ontario government was driven into this position as a result of the position taken by the federal government and its intransigence with regard to its tax sharing policy with the provinces.

The consequence of this, in the province of Ontario, will, of course, be great. I mentioned the other day, and I repeat now, that the effects of the removal of the excise tax on automobiles at long last will be considerably mitigated in the province of Ontario, the largest market for Canadian purchases of automobiles, as a result of the sales tax to be imposed in Ontario collection of which will commence some time in September. The consequences will, of course, be even wider than this. They will be felt all over Ontario as this tax comes to be imposed on all kinds of goods, creating all kinds of new obligations for retailers and for consumers who, in their thousands, are beginning to protest the imposition of this tax. When we are discussing the policy of the federal government regarding this matter it is only proper that we should attribute to the federal government its share of responsibility for the course which has been taken in Ontario.

It is all very well for hon. gentlemen, when confronted with specific proposals, to examine them per se, to fail to relate them to the facts of history and to circumstances, particularly those which attended the announcement of policy by this government when it was asking the people of this country to give it support in 1957 and 1958. We were told then that this government would embark on a policy which would resolve once and for all the fiscal differences which prevailed between the two senior levels of government. We were told there would be a dominion-provincial conference early in September. Those elections were held in the month of June. We know there was no conference held until the month of November, and then it was only because of prodding from this side of the house that a one day conference was held. We do know that following that conference instead of a policy being arrived at in collaboration with the provinces there was an announcement of the policy of the federal government, unilaterally, by way of a telegram which, we all remember, did not contain correctly the figures which had to do with further dispositions of money to be made to the provinces.

But let this be clear. We shall have an opportunity, when this bill comes before the house, of examining further aspects of this measure. The bill is not going to be dealt with until we return. We are now simply discussing the resolution. I feel, as a member from the province of Ontario, knowing the dissatisfaction which exists in Ontario over the sales tax, that it is only proper that we should attribute to this government the proper degree of responsibility for that fact. I do not say that this was the only way by which this additional money could be raised, but it is right to say that not only are individual citizens in the province of Ontario complaining, not only have members of opposition groups in Ontario complained about the sales tax, but organizations generally are complaining about the failure of this government to live up to its assurances in the matter of federal fiscal arrangements. When Ontario citizens come to pay this tax they will not only remember the Ontario government but they will remember the assurances given by the federal government —the assurances given by the federal Prime Minister in Massey Hall in the presence of Premier Frost in 1957. They will remember that Premier Frost indicated there was going to be some relief for Ontario as a result of a new fiscal deal.

Well, we have the results now, and there is no new deal for the province of Ontario. There is no new deal for the other provinces. What we have, once again, is a failure by this government to live up to the assurances which it gave not only to the people of Ontario but to the people of Canada.

(Translation):

Mr. Deschatelets: Mr. Chairman, this resolution is of extreme importance because it determines and establishes the axis around

which federal-provincial relations will revolve for a period of five years as of April 1, 1962, until March 31, 1967.

What are, briefly, the main points of this resolution?

An editorial published in *La Presse* of June 23, 1961, sums them up very well, I think, and I quote:

> This week the Prime Minister communicated with the premiers of the provinces. He informed them that his government could grant them no more advantages than those offered in the taxation field during the last federal-provincial conference in February of this year.
>
> In short, Mr. Diefenbaker had bad news for them.
>
> The provinces in general and more particularly Quebec, were disappointed by the February conference on fiscal matters. After all, the provinces were still hoping that Ottawa would relent. Their hopes were now dealt a fatal blow.
>
> As a matter of fact, Ottawa has regressed in the field of personal taxation. But it catches up in other ways, by amending the equalization formula. The new equalization formula submitted by Mr. Diefenbaker considers some new factors by which payments to Quebec will be, to all intents and purposes, frozen for the next five years, whereas, until now, they have been increasing rapidly from year to year.
>
> The formula devised by Mr. St. Laurent was more generous, because it was based on the average return from the three normal taxes in the two wealthiest provinces, whereas the Diefenbaker formula is based on the average return of those same taxes in all provinces. Under Mr. St. Laurent, it was equalization from the top; with Mr. Diefenbaker, we have equalization from the bottom. From this point of view, the new proposal is not only less generous, but discriminatory.

Mr. Speaker, this resolution has been criticized for three fundamental reasons. First of all, the equalization principle is practically frozen, whereas it should necessarily remain adaptable and flexible. Second, the formula means equalization of provincial revenue from the middle instead of from the top, which led the Saskatchewan premier to say at the last federal-provincial conference that this was not equalization any more but "averaging". The premier of Quebec also had some concise but extremely revealing comments to make when he said that "the principle of equalization has been killed".

The third great weakness I see in this formula of the present government is that in practice, it means a greatly reduced income for the provinces recognized in the past as have-not provinces. Moreover, I feel quite sure that Mr. Duplessis would have been the first to reject such a formula outright. Why? Because at the last conference which he attended, he stated quite clearly that what he wanted was cash; having little interest in the other formulas previously put forward, he would certainly not have liked this scheme which, in the case of the province of Quebec for instance, provides for reduced returns for the next five years, whereas under the old formula which was so bitterly attacked by our Conservative friends, the share of Quebec increased year by year.

In fact it will be recalled that for the first year Quebec drew an equalization payment of $36 million, and for the years 1960-61, it will draw approximately $72 million.

Referring to the table that was placed on the record yesterday by the Minister of Finance on page 7920 of *Hansard*, I find that it is a little over $71 million.

Mr. Chairman, it is well at this time, in order to understand the mechanics and the yield of both formulas—the old and the new—which are placed before us, to consider first the case of the province of Quebec as an example.

Under the old formula, it will be recalled that the yield of the three taxes, personal income tax, the corporation income tax and the succession duties, in the two most wealthy provinces, Ontario and British Columbia, was about $45 per capita. In Quebec, the per capita yield was $29, so that the province of Quebec was entitled to an equalization payment of $16, multiplied by its population figure. Now, the new formula that is placed before us takes into account the tax yield in the ten provinces, and that yield is about $34.50 per capita on a national basis, as against $29.50 in Quebec.

The province of Quebec is therefore falling short of the national average by approximately $5. Moreover, in this new formula, the government is introducing a new factor: the provincial natural resource revenue, more exactly 50 per cent of that special revenue. Now, the natural resource revenue per capita in the provinces comes to about $7.75, as against $3.25 for the province of Quebec.

Allow me to summarize the two situations. In the case of the three taxes, Quebec falls short of the national average by approximately $5, while in the case of the average for the natural resource revenue, Quebec falls short by approximately $4.50.

These two figures add up to a total of $9.50. And this $9.50, multiplied by the population figure of the province of Quebec, which is about 5,700,000, determines the equalization

payment to which we would be entitled, acording to the new formula proposed by Mr. Diefenbaker; it comes to some $47 million.

Therefore, that is much less attractive than the present formula which yielded approximately $72 million to the province of Quebec.

The Minister of Finance adds a guarantee that there will be no reduction in payments during the next five years. However, there is another guarantee, a guarantee we do not like, namely that during those five years those payments will not increase, as they would have if the old formula had been kept in force.

Mr. Chairman, in general the provinces have shown their disapproval, their great disappointment and their obvious dissatisfaction with that formula. That is why I feel the government is making a serious mistake in forcing the passage of this resolution, especially at this stage of the session. This matter is not urgent. The present agreements will expire only next spring and instead of arrogantly imposing its will to the provinces in a take it or leave it attitude, the government had ample time, to continue its negotiations with the provinces and to seek a new solution with them, in view of the importance of this matter for the unity and expansion of the Canadian federation.

I am not speaking here of expansion in the restrictive sense which the Minister of Finance gives to it, but in a broad sense which would allow the provision of essential services in all provinces so that there may be no underdeveloped sector and so that all Canadians may reasonably reach a comparable standard of living in all provinces.

The Minister of Finance and the Prime Minister have refused to budge an inch from the position they took at the last federal-provincial conference. Having expressed a refusal, they thought they could encourage the provinces by telling them: "Well, you can levy your own taxes if you are not satisfied", just as if that were a new right. In fact, certain provinces have already had to levy direct taxes as for instance, in Ontario where a 3 per cent sales tax will come into force next September.

If the government thinks it has given satisfaction to the provinces it is soon to suffer a rude awakening, after having promised so much to the provinces. It now introduces in resolution form legislation which is certainly nothing to boast about.

We of the official opposition have always attached a great deal of importance to the principle of equalization. But, for all practical purposes, this measure is getting away from that principle. And the poorer provinces will be the most affected.

The Secretary of State, to comfort the province of Quebec, could tell her: You will get less under this formula, but you will gain in autonomy. He could also say: You will have a higher degree of autonomy than heretofore since you will be able to levy your own taxes should you need more money.

My concept of autonomy is quite different. It is a concept which reconciles constitutional rights and practical common sense. It is not by lowering equalization payments to the provinces in general and to Quebec in particular that we will be promoting their autonomy. A province can only exercise its autonomy to the fullest extent when it has all the required facilities to develop harmoniously. A municipality ceases to be autonomous when it can no longer face its obligations, and the same goes for the provinces, in similar circumstances.

Mr. Chairman, to put it briefly, I submit that this new formula is completely and directly contrary to the promises made to the provinces in 1957 and 1958. In addition to weakening the equalization principle, which has shown its value, this formula will leave the provinces in a state of discontent and frustration that will bring us much closer to fiscal disorder than to the agreement of 1867.

(Text):

The Acting Chairman (Mr. McCleave): Shall the resolution carry?

Mr. Pickersgill: No, Mr. Chairman; I wish to make a few observations about this resolution. They are not so much observations in detail as observations of a general character. In what I say I am not going to attempt to traverse the whole field of federal-provincial relations even since the present government came into office. I am not going to go back to the bad arithmetic of the Minister of Finance and those telegrams which he sent in that new spirit of harmony about which we heard so much in 1957, because I say that never since Mr. Bennett was in office have relations between many of the provinces and the federal government reached the stage which the relations with some provinces have under the present government.

An hon. Member: Joey Smallwood.

Mr. Pickersgill: Yes, the premier of Newfoundland, because this government repudiated the terms of confederation. Look at the kind of relations they have with the

premier of British Columbia. Because they were so over-eager they signed a treaty before they knew whether they could carry it out. Now he has torpedoed their whole scheme. It is just of a piece with everything that this government attempts to do. Without exception everything ends in a mess. One of the reasons, in fact, one of the principal ones, I think, is that the Prime Minister did not listen to those very wise words which were uttered from this side of the house by his great predecessor on October 16, 1957 when Mr. St. Laurent said from this house, and I am simply paraphrasing, that for 22 years every undertaking given by the previous government to the people of Canada that the government and parliament of Canada by themselves could carry out had been carried out and people will expect the same thing from their successors. What have they got from them?

Mr. Ricard: Is this the Mr. St. Laurent that you kicked out?

Mr. Pickersgill: The hon. member for St. Hyacinthe-Bagot has at last given me an opportunity to reply to that insinuation, that innuendo that he is so fond of uttering.

Mr. Ricard: Give it to us.

Mr. Pickersgill: There are those in this country who know something about my personal relations with Mr. St. Laurent over the years and anybody who thinks that I ever had any part in doing anything but paying the highest possible honour to the greatest living Canadian, one of the greatest Canadians we have ever had—

Mr. Ricard: Your party kicked him out of office.

Mr. Pickersgill: —is completely mistaken. As far as our party was concerned it was with the greatest possible regret and I will say more than regret—

Mr. Ricard: You can say that again.

Mr. Pickersgill: Perhaps the hon. gentleman would let me say it without his interruptions. I do not think he was in the confidence of the Liberal party then or at any other time, nor is he ever likely to be—

Mr. Ricard: I never wish to be either.

Mr. Pickersgill: —because he has a cast of mind and a type of respect for the rights of others that I would think would make it very difficult for him to find himself at home in the company of Liberals.

Mr. Ricard: I never wish to be.

Mr. Pickersgill: I say that it was with the greatest regret and not merely regret but some embarrassment that every Liberal in this country learned that my right hon. friend, Mr. St. Laurent, after the election of 1957 had come to the conclusion very reluctantly that he could not carry on at that time because of the state of his health. All these other stories that have been circulated as political propaganda by hon. gentlemen opposite show how little they have of a constructive character to say to the people of Canada.

What I am saying, sir, is that because of the attitude taken in 1956 at the time that the tax-sharing arrangements act was put on the statute books there was the greatest possible doubt in this country with respect to where the Conservative party stood so far as equalization was concerned. As the Minister of Finance has often told us, the opposition of that day, the Conservative party, voted against that bill. They talked against it and they voted against it and during all the period up to that time they said that they were in favour of a different system involving the allocation of tax fields. Mr. Drew was the leader of the party in the house at that time and he made many speeches on this subject. There was a legitimate fear in many quarters that if a Conservative government came into office in this country equalization would be done away with. The right hon. gentleman who is now Prime Minister will recall that in his speeches, and I think I have some extracts from them here which I do not wish to take up the time of the committee to quote—

Some hon. Members: Oh, oh.

Mr. Pickersgill: I am quite willing to but I do not think there will be any quarrel about this point.

Mr. Churchill: Don't misquote them.

Mr. Pickersgill: The right hon. gentleman in 1957 gave assurances in Carman, Manitoba, and in a number of other places that the present government, if it came into office, would maintain the principle of equalization.

Mr. Diefenbaker: And it is maintaining the principle.

Mr. Pickersgill: The Prime Minister says they maintained the principle of equalization and they have maintained it precisely as it was expressed in Mr. Harris' bill in 1957. They maintained it right up until the month of October, 1960, I think it was. From November of 1957 when the first federal-provincial conference was held after the present government came into office until the conference held in July of 1960, the proceedings of which I have here in my hand, there was a good deal of speculation in the provinces and

elsewhere about what kind of proposals would be made to take the place of the existing Federal-Provincial Tax-Sharing Arrangements Act as amended and, to be completely fair about it as I wish to be, as improved by the present government. What was done in 1958 was an improvement and I have never pretended it was not at any time. I have once in a while ventured to express the view, and it is true, that it so happened that the only improvement that was made was made between the two elections. But that is true, of course, of everything else. There were quite a number of things done between the two elections but then the improvements stopped.

On July 25, 1960, a conference was held in the railway committee room in this building. It was opened by the Prime Minister and in the course of his remarks at that conference he made a statement which I should like to read into our record. I am going to read from page 10 and I do not feel I should do anything less than quote whole paragraphs although there are some portions of some of the paragraphs that really have nothing to do with the argument I am seeking to make. However, I wish to be completely accurate and completely adequate in what I say about what the right hon. gentleman said. He said:

> Some provinces have indicated a desire to resume the collection of their own revenue from these tax fields.

I think it is in order to make the reference clear. That refers to the income tax, both personal and corporate, and the succession duty or estate tax.

> This raises a question which will have to be considered in the course of this conference—

The question of some provinces wishing to resume the collection of these taxes themselves. The following are the words to which I wish to draw particular attention:

> —but I want to make this abundantly clear on behalf of the dominion government that whatever the ultimate decision may be the principle of equalization must be preserved.

Mr. Martineau: And so it is.

Mr. Fleming (Eglinton): Preserved and extended.

Mr. Pickersgill: Then I go on to the next paragraph which defines equalization very precisely. These are the Prime Minister's words, not mine, and I think it would be fairer to the Prime Minister if these words were put on the record in the way in which they were uttered without having interruptions. I do not mind hon. gentlemen interrupting my words but I am seeking to put the Prime Minister's words on record so they can be read clearly.

Some hon. Members: Oh, oh.

[Mr. Pickersgill.]

Mr. Pickersgill: Well, I have enough confidence in my arguments that I am always willing to have the arguments of my opponents put fully and fairly, and I always try to do that.

Mr. Diefenbaker: Do not get too far out on that question.

Mr. Pickersgill: I continue to quote:

> Equalization, the second component,—

This is the definition.

> —is a payment by Canada to the provinces to bring the per capita return from the three taxes at standard rates up to the average per capita yield in the two provinces in which per capita yield is highest. For provinces in which the tax potential is relatively low, this principle is most important.

Having read that definition, and that definition is very clear and very precise, I say it is a definition of equalization that Mr. St. Laurent, Mr. Harris and their colleagues—

Mr. Martineau: Would the hon. member permit a question?

Mr. Pickersgill: No, not at this moment—including the Leader of the Opposition, put on the statute books in 1956 when the Conservative party voted against it. This definition of equalization which the Prime Minister gave in very precise and very accurate language, was the principle of equalization about which he used these words:

> I want to make this abundantly clear on behalf of the dominion government that whatever the ultimate decision may be the principle of equalization must be preserved.

Having said that, and so that there would be no doubt about it, the Prime Minister gave this definition of equalization which I have just read. Then, having said that, he also said this:

> The government believes that the principle of fiscal aid and equalization to assist the less wealthy provinces stands on its own feet and is accepted on that basis, and is quite separate from the question of tax rental or tax sharing.

I think that is a principle with which no one would have any quarrel. I do not know that they need necessarily be separated in the statutes. In fact, they never have been and are not going to be now under the proposals before us. The fact is that they are two different elements of the matter and the Prime Minister rightly pointed that out. I have no quarrel with the statement made by the Prime Minister. In fact, the contrary is true. I went to that conference and I listened to that speech because I have always been greatly interested in this subject. I recall that day saying to a friend of mine who was with me, now at last one thing is quite clear and that is that the present government has accepted, in unqualified language,

the principle of equalization as it is understood and as it is clearly defined. This is something on which the provinces can really rely. Well, the provinces relied upon it for how long? I believe it was from July until October.

Then, in October 1960, the Prime Minister came along at the next stage of the conference with what he was pleased to call a suggestion. This suggestion repudiated this definition of equalization that the Prime Minister had solemnly affirmed in July. If I may use his own words, he said:

I want to make this abundantly clear on behalf of the dominion government that whatever the ultimate decision may be the principle of equalization must be preserved.

This was not some vague principle, but was equalization as specifically and carefully defined by the Prime Minister in that paragraph to which I referred.

Then, in the month of October the Prime Minister came along with this suggestion, this new mix, which imported into the principle of equalization the notion of revenues from natural resources and the national average instead of the average of the two highest provinces, which was the principle of equalization the Prime Minister had undertaken to preserve. I say that if anybody understands the word "repudiation" in its ordinary meaning, this was a very clear repudiation in October. We described it as such from this side of the house and we have consistently so described it ever since. It was a repudiation of a solemn undertaking given to the premiers of the provinces at that time. This is a repudiation of a principle that was evolved and, as I said the other day when speaking on the income tax bill even Mr. Duplessis, with all his intransigence admitted, after the conference of 1955-56, that the principle of equalization was a great improvement on what had previously existed. This principle had been patiently evolved over the years, and now it has been repudiated.

We had, first of all, what was delicately called a suggestion in October, what became a proposal in February and what is now a "take it or else" attitude as indicated by this resolution. Without going into any of the details, sir, that is the record of this government so far as equalization is concerned.

I could not, of course, allow this motion to pass without saying something about one other element that is imported into this resolution. I refer to the so called additional annual grant of $8 million to the province of Newfoundland.

Mr. Speakman: Do you not agree with it?

Mr. Pickersgill: Does the hon. gentleman dare to ask anyone on this side of the house that question? We remember that day when the Prime Minister came into this house and repudiated that, too, and the Leader of the Opposition got up at once and drew attention to the fact that this was a repudiation of the terms of union. This award was made by the McNair commission and it was intended to continue, just as the awards that were made the time of the original confederation were intended to continue. It was part and parcel of the terms of union. The Leader of the Opposition took that position then, and it has been the position of the Liberal party ever since. Our position on this is very simple and very clear. We intend to carry out the terms of union. We intend to stand by the pact of confederation with Newfoundland, just as we stand by the pact of confederation with every other province. While it is true that the sum of money here is exactly the same as the McNair award, it is given not as a matter of right but as an act of grace. This is not the right way to treat the constitution.

There are many other questions that were raised by the Leader of the Opposition and by other hon. members who have spoken. One would hope the Minister of Finance would deal with those questions and satisfy our curiosity about them. I had not intended to speak about them at this stage. What I intended to do was deal with these two matters of principle, the repudiation of equalization which the Leader of the Opposition pointed out in great detail this morning, and the repudiation of the constitution.

I say, sir, that this is a sad and sorry way to deal with a problem that was nearer solution in 1956 than it had ever been. I would add also that Mr. St. Laurent said at the time that this problem will never be completely solved. Its complexity is such that there will always be improvements to be made. He said also when anyone had any better suggestions to offer they would be considered by the Liberal party, and that is our attitude. When the Leader of the Opposition became the leader of our party in 1958, certain improvements were suggested and on subsequent occasions other improvements have been suggested by the Liberal party. I say that this is a very unfortunate and retrograde step. It is going back, to use the words of the premier of Saskatchewan, a long way toward the tax jungle of the thirties.

Mr. Martineau: Will the hon. member permit a question now?

Mr. Pickersgill: Certainly.

Mr. Martineau: I want the hon. member to tell the house whether, in his opinion, there is any difference between a principle of equalization and a formula of equalization.

Mr. Pickersgill: Well, of course there is. It does not require a great intellect to discover that. But when a pledge is given that the principle of equalization will be preserved and when the equalization is precisely defined immediately after that pledge, it does not mean "some" scheme of equalization. To an ordinary plain man who accepts the plain words and who does not try to read the fine print or to twist words, it means the principle of equalization embodied there in the definition. I can see the line of twisting—and it is so characteristic of this government; they all catch it from their front benches—turning and weaseling around. However, the fact is that every plain simple person accustomed to dealing with governments that put their intentions in plain language and keep their word, expected that undertaking to be kept in the words in which it was given and not in some other scheme.

An hon. Member: Answer the question.

The Acting Chairman (Mr. McCleave): Shall the resolution carry?

Some hon. Members: Carried.

Resolution reported and concurred in.

Mr. Churchill (for Mr. Fleming, Eglinton) moved for leave to introduce Bill No. C-122, to authorize the Minister of Finance to make payments to the governments of the provinces and to authorize the government of Canada to enter into tax collection agreements with the governments of the provinces.

Mr. Pickersgill: Before the motion is adopted, Mr. Speaker, can the minister say whether the bill is printed and ready for distribution?

Mr. Churchill: Yes.

Mr. Pickersgill: In both languages?

Mr. Churchill: I will investigate and find out.

Mr. Pickersgill: In these circumstances, I think perhaps the minister would not wish to have first reading given until the bill was available in both languages.

Mr. Churchill: On the contrary. I think the practice of the house is to give first reading. It may well be that the copies are available.

Mr. Habel: Where are they?

Mr. Churchill: Surely I am not obliged to go to some other office to find out. This is the responsibility of the officials of the House of Commons and not mine. If the first reading of this bill is given on this occasion, then the officials who are under the direction of Mr. Speaker will distribute them to hon. members.

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

Motion agreed to and bill read the first time.

CIVIL SERVICE ACT

The house resumed from Friday July 7, consideration in committee of Bill No. C-71, respecting the civil service of Canada—Mr. Fleming (Eglinton)—Mr. McCleave in the chair.

On clause 1—*Short title.*

Mr. MacLellan: Mr. Chairman, when I was speaking on this bill on the last day when it was before this committee, I had listed some of the advantages that will be made available by the bill if passed by the house to the civil service and to the civil service administration of the country generally. I had mentioned that under Bill No. C-71, the right to pay of employees of the government is recognized for the first time and that a wide system of appeal is now available to civil servants from administrative decisions within the departments in which they work. I had mentioned that the distinction between temporary employees and permanent employees has been removed and that now there can be a transfer from the public service to the civil service in appropriate cases. I had also mentioned that a very real preference will be set forth under the bill for bilingual people and that the bill provided for the admission of new Canadians to the civil service who under the old act were prohibited from giving service to the country in this way. I had come to the point where I was talking about the very major gain in the new relations between the civil service and the government in the provision of a consultation method and procedure and also the discussion in the committee as regards the setting up of arbitration facilities where disputes might arise.

In that connection may I say this. When the hon. member for Hull was speaking on Thursday, July 6, he said as follows:

> The minister has referred to arbitration. He referred to it as something highly dangerous. He said he opposed it because he wanted to protect the rights of parliament.

This appears at page 5 of the translation of the debates of July 6. The hon. member was referring to the Minister of Finance at that time. I bring this to the attention of the committee because it is so palpably wrong and unfair, that it should not be allowed to go unchallenged. Actually when

the minister was before the committee he stated as follows, and I am referring now to the minutes of proceedings and evidence of the special committee on the Civil Service Act at page 537:

> We do not wish to embark on any radical or untried form of legislative action, but we—I speak for my colleagues and myself—are willing to explore the possibility of developing in Canada procedures based upon precedent and fortified by good faith. I think it is recognized by all, Mr. Chairman, that any system of negotiation which might be considered will require considerable time, and no doubt patience, to develop along these lines. I am led to believe that the views of the staff associations themselves on matters of representation fall somewhat short of unanimity. I would respectfully suggest, therefore, that this whole question be carefully explored so that the rights of parliament will not be unduly abridged, and that all of us on our part and in our turn will be able to develop an approach to the question of consultation on matters of pay and conditions of employment which, being based upon precedent and experience, will stand the test of time.

That is certainly the opposite of the impression that was left with the committee by the hon. member for Hull.

Further, I find a completely different interpretation from that put upon the minister's words by the hon. member for Hull in a column written by Mr. John Stockdale of the Ottawa *Journal*, in the issue of that paper of Saturday, June 24. Mr. Stockdale followed the meetings of the special committee very closely and he as much as anyone is familiar with the bill and what it intends to achieve. What Mr. Stockdale wrote is as follows:

> It may not all be spelled out in the new Civil Service Act, but the writing which will concede powers of negotiation and arbitration within the Canadian civil service is on the wall—if not in the bag.
>
> The prophets who put it there are no less than finance minister Fleming and parliamentary secretary Dick Bell.
>
> Reactions from staff organizations today are generally favourable, even if there are reservations related to the circumstance that techniques of discussion and negotiation remain loosely defined.
>
> Mr. Fleming made it clear consultation with staff associations on pay and conditions was to be at all appropriate times. Mr. Bell was emphatic that, in a relatively short time, it was intended to achieve a Canadian version of Britain's Whitley procedure —and the cornerstones of the Whitley system are negotiation and arbitration.
>
> The need to avoid legislative rigidity was stressed. If the elastic seams now incorporated within the bill are stretched sufficiently, most of the objectives of the major staff associations can be attained.
>
> An established means of working together in harmony, understanding, mutual confidence, good faith. That was what Mr. Fleming regarded as the shape of things to come.
>
> Neither the inquiring Liberals on the committee nor the staff associations could—if principle works out in practice—want more.

On June 28, after the committee had concluded its sittings on the bill and after the statement of the Minister of Finance had been placed on the record, a press release was issued by Mr. Fred Whitehouse, president of the civil service federation of Canada. As all hon. members know, the civil service federation of Canada is by far the largest of the civil service staff associations and embraces some 80,000 civil servants. I quote from the press release of Mr. Whitehouse:

> —it is apparent that the government in providing for compulsory consultation has moved a long way towards giving public servants a voice in determining their rates of pay and conditions of employment. This is especially true in view of the statements made by the Minister of Finance in committee that it was expected that the provisions for consultation would evolve into a system modified to meet the needs of the Canadian civil service, similar to the Whitley councils of Great Britain. Mr. Fleming felt this could be done without the restriction of legislation.
>
> The minister went on to say that an important element in negotiation and consultation on these matters is to meet in a spirit of good faith and co-operation on the part of both sides. The civil service federation of Canada agrees with this statement and is prepared to meet with the civil service commission and officials of the government in a spirit of co-operation and good faith, always bearing in mind that co-operation is a two-way street and good faith on both sides must be the vehicle employed to reach our mutual destination.
>
> The civil service federation of Canada agrees to the foregoing with a view that experience will lead both sides to the evolution of a system of negotiation and arbitration in the shortest possible period of time.

I also had a letter from Miss Frances E. Goodspeed, president of the professional institute of the public service of Canada. This is another of the large civil service staff associations, embracing I believe some 5,000 civil servants. This letter, dated June 27, 1961 reads as follows:

> Dear Mr. MacLellan,
>
> On behalf of my colleagues in the professional institute and myself may I express our appreciation of the opportunity which was afforded us to appear before your parliamentary committee on Bill C-71 and the careful consideration of our views on the subject matter of this bill by the committee.
>
> Members of the professional institute who attended the sessions of your committee were greatly impressed with the very thorough and searching review which was given every section of the bill. We are confident that your efforts will result in a new Civil Service Act which will afford an opportunity to continue in the future the development in Canada of a public service which will give the utmost satisfaction to the public in the discharge of its duties, personal satisfaction to those who seek therein a challenging and useful career, and which will gain even greater regard abroad than it currently enjoys.

I believe that in yesterday's press there appeared an account of an interview with Miss Goodspeed wherein she stated that she was very satisfied with the progress that had been made toward the beginning of a system of arbitration for the civil service. I would

point out that in the meetings of the special committee there was at no time any suggestion that arbitration should not be something which we could look forward to in the future. There was a difference of opinion as to method. There were some who thought that by legislation we could accomplish arbitration more quickly, but the majority of the committee was of the opinion and agreed with the Minister of Finance that arbitration could better be gained by evolution, as was done in the United Kingdom, without direct legislation. I believe the passages I have quoted indicate that the majority of civil servants take the same stand.

In addition to the matters which I have mentioned, an eighth advantage to the civil service provided by the bill is in the establishment of a grievance procedure. This is another measure which the civil service has been requesting for many years. We were very pleased in the committee to amend this bill to provide for the establishment of a grievance procedure. This is something which I believe will also assist in the development of better relationships between the government and the civil service.

All in all, Mr. Chairman, I feel this new bill which is before the committee should be passed as soon as possible, as was requested by Miss Goodspeed in her statement of yesterday. By virtue of the bill a new, golden age will be ushered in as regards the relationships between the people of Canada and their civil service. Most of the problems have been removed and I am sure that the days ahead will illustrate the value of this bill to the civil service and the work they do for our country.

In closing, Mr. Chairman, I should like for a moment to pay tribute to the hon. member of the special committee who attended every meeting; who more than any other member of the committee carried the responsibility and the burdens of this bill; who more than anyone else understands the problems of the civil service and, I believe, who more than anyone else can be called the champion of the civil service in Canada. I refer to the distinguished hon. member for Carleton, the parliamentary secretary to the Minister of Finance, with whom it was my pleasure to work very closely during the months we were considering this bill.

I am sure hon. members on all sides of the house will endorse what I say, that the hon. member for Carleton is one of the finest lawyers and parliamentarians we have in the house and certainly is the best friend in court that the civil service has ever had. If I may say one thing to the civil service of Canada, and in particular to the civil servants who live here in the Ottawa valley, it is that the best way to strengthen their own causes is to strengthen the hand of the hon. member for Carleton.

Some hon. Members: Hear, hear.

Mr. Richard (Ottawa East): Mr. Chairman, I am not going to try to compete with hon. members who have preceded me in congratulating the members of the committee and the chairman, except that I must say all congratulations offered to the chairman were well deserved. The committee proceedings were conducted fairly and well. I must also say that all members of the committee, and not only the hon. member for Carleton, were great friends of the civil service and were trying to do their best to ensure that the civil service of Canada would have a good deal.

I should also add that those who appeared before us were most helpful. I refer to the members of the civil service commission, the representative of treasury board, the members of the staff associations and those who sent in letters on certain problems for our perusal, including the question of bilingualism. These representations were very helpful. The meetings were conducted in a spirit of fairness and I think this is one committee which could serve as an example to some others which have sat during this and other sessions of parliament.

However I do not altogether give the credit for this to those of us who sat on the committee. It so happens that we were a group of dedicated people who were considering a very delicate cause. This legislation which is designed to improve the civil service is most important because in our time more than ever before a good civil service is absolutely essential to good government. The need for a growing and better qualified civil service can be attributed primarily to the increased role of government. As a result we have to rely more and more on an increasing number of experts and highly qualified administrators. The civil service in Canada is composed at all levels of men and women who are well qualified to perform their important functions and who are devoted to the service of their country, people who are entirely loyal to the government of the day. Those who give loyalty and service have a right to expect confidence, support and encouragement, in addition to conditions which will make them more effective in their work.

This bill is the result in part of investigations which began in 1957 with the then chairman of the civil service commission, Mr. Heeney, and his associates who were asked to make a report on the Civil Service Act.

That report was very full and it was discussed in committee last year. In part this present bill implements some of the recommendations of the Heeney report. However, I do not want anyone to think that this bill implements the whole of that report. I should just like to put on record the case for a new concept in law which the chairman put in his report in 1958. He said:

> The legal framework within which a public service functions is of importance because of its direct bearing upon quality and administrative efficiency. Law alone cannot guarantee good administration but it can and does have a real effect on the quality of the personnel who are recruited and it can provide incentives to good performance. As conditions change, there develops from time to time a need to re-examine legislative arrangements so as to determine whether the law is well suited to current needs. Forty years ago, the need was for a civil service free from what Sir Robert Borden called "the malign influence of patronage". Forty years ago, and this is all too frequently forgotten, the need was also for a public service free from nepotism, the coddling of incompetent favourites, the granting of promotions for consideration and similar internal abuses. Not much is gained if the "malign influence" of political patronage is replaced by bureaucratic patronage, which may be less apparent but which can be no less insidious and demoralizing. If both are to be kept in check, there is need for independent authority and control such as the commission was designed to provide. The effectiveness of the present act in protecting the national service from these traditional abuses is a convincing argument for the preservation of the essential legal safeguards of the merit principle. At the same time, in the vastly different social and economic conditions within which public administration must be conducted today, it has become evident that a monolithic merit system is not in itself enough.

Those were the broad principles of the Heeney report. As I said before, the Heeney report is adopted in part in this bill, but only in part, as we shall have the opportunity to see when we examine the clauses one by one. In case hon. members may be under a misapprehension let me say that this bill is not what could be called a bold, new approach embodying new principles. In many ways the bill is a 1961 version of the 1918 act in the light of practices which have developed over the years. It does not attempt, for example, to provide new and broad principles governing personnel administration and employer-employee relations which the service needs and which the service requests. This is probably one of the points of real importance which came up for discussion in the committee when it dealt with staff association representations. While clause 7, which embodies the principle enunciated by the government in this regard is a great advance, we must express our stand at this time and say that the principle involved in this bill in this regard is not satisfactory to the opposition. The time has come to face the issue of bargaining between the government and its employees squarely and frankly. As I said on March 7, in our country all municipal employees, including policemen and firemen have obtained the right to collective bargaining. In the federal field the majority of the employees of crown companies already enjoy such a right. But ordinary civil servants have no right whatsoever in this respect. This has become a serious anomaly and an unfair discrimination. In Great Britain, Australia and New Zealand the right to collective bargaining has been granted in one form or another to civil servants. In the United Kingdom, the national Whitley council agreement on arbitration for the non-industrial civil servant has now been in force for more than 30 years.

Our stand on this principle is still the one that I expressed some months ago. We believe that the present Canadian system which provides only for consultations—and that, after all, is all that is included in the present bill—is completely inadequate to protect the fundamental right of the civil service to participation in collective negotiations. At the same time, our view is that the right to strike should not be granted to the civil service and that a strike should not be tolerated in the government service. We believe that civil servants should be granted the right to joint negotiations and arbitration provided the supremacy of parliament is safeguarded.

We do not intend at this stage to put forward a concrete and detailed proposal which would embody these rights, but I suggest—and this is in accord with proposals I made in the committee—that consideration of the question should be given in the present bill and that details should be worked out by negotiation and by arrangement between the staff associations and representatives of the government. Surely, if it has been possible to do so in other countries, and in one province within Canada, it is possible to do the same in the federal field. The act presently in force goes back to 1918, which is some 40 years ago. Surely, we shall not have to wait 40 years before our ideas become a little bit modern—we shall not have to wait that length of time to see whether the procedure enunciated in clause 7 of the present bill is satisfactory.

There are a few other points which come to notice, but I do not intend to deal with them at the present time. One is the increased power given to deputy heads of the departments under this bill. In this connection I should like to refer to the submission by the professional institute of the public service of Canada. In the last paragraph on page 1 it is stated that the point of

concern is the trend toward delegation or transfer of authority from the civil service commission to deputy heads in matters concerning personnel selection, establishment, etc. The professional institute believes that certain rearrangements along the lines indicated will result in increased efficiency and therefore welcomes the proposal from this viewpoint. It has, however, become increasingly apparent to the institute over recent years that even the existing degree of local autonomy within and between departments has markedly affected conditions of employment. It is felt that any further decentralization of authority in the field of personnel management has to be accompanied by a system of monitoring and control much more effective than presently exists. Lacking such a system, the advantages of increased departmental initiative would be negated by damage to morale and even to the merit system itself.

Another aspect of this bill is the power which remains to dismiss any employee without cause. Of course, there may be some good reason for this revision but we were not told in the committee why such a power should remain in the bill. Of course, I shall have an opportunity to say something about that when we reach the relevant clause.

Another factor is that prevailing rate employees should somehow not be considered in this legislation. A way should have been found to treat them as other civil servants have been treated and bring them within the Civil Service Act. They should be given all the privileges enjoyed by other civil servants. This is an anomaly and a difficulty which we might as well face now.

There is another difficult problem which will arise during the discussion of the bill, namely the right of appeal. All of these things, Mr. Chairman, depend to a great extent on the regulations which will be made under the legislation. It is very difficult to discuss the effect of many clauses of this bill without knowing what the regulations are to be. When we were in committee I did raise the point that the regulations should have been brought before us for consideration. I was told that they had been drafted but the committee did not see them. Therefore, we cannot take any responsibility for any of the regulations which have been drafted already and which may form part of the legislation after it is passed.

I raise these few points at this time, Mr. Chairman, because we shall have ample opportunity to raise other matters of importance when we discuss the clauses. However, I welcome the improvements which have been made in the present act.

[Mr. Richard (Ottawa East).]

I have only this to say. Once again I repeat, the staff associations deserve our thanks for the manner in which they effectively presented their case. I must say that it would be much better if they united some day. If they could have one broad association representing all civil servants perhaps they could make their case much more effective.

Mr. Nugent: Mr. Chairman, since this bill was introduced we have had many individuals posing as the special friends of the civil servant. I know there are many members in this house who have had special duties in connection with these problems and who have a great many civil servants within their riding. However, I do think it is time to put in a word of caution on behalf of the long suffering taxpayers in this country. It seems to me that when the change in government took place in 1957 one of the complaints of the people was not just that the cabinet had become too hard to get along with or that the Liberals had got too arrogant. The whole service had got a little too stuck in that way of doing business. In some respects it had taken on some of the characteristics of its bosses, and a complete change was needed. If I may say so, what has been said to me most often since I became a member of parliament is this. Those who have spoken to me have said that they did not see that change in attitude that they had hoped to see when we took over, or at least they did not see it change as much as they had hoped. I am speaking now just of people completely outside the civil service who have talked to me. The main complaints I have had about the failure to make a sweeping change in the civil service came to me from people within the civil service. There are in that organization, as there are in other organizations, the extremely intelligent, the extremely hard working and the ordinary. There are the loafers, as there are in other jobs.

The main source of their complaint seems to be that the method of doing business had become so stereotyped that the rule book and the way of doing things had become predominant. The attitude of "this is the way we do it; this is the way we have been doing it for years," had become so important that the ambitious, hard working civil servant found entirely too many stumbling blocks in his road to do the job as efficiently as he would wish. I repeat, Mr. Chairman, it is not my intention here today to complain about the civil service. I merely think it is necessary to point out that there is such a thing as giving the civil service too much protection from public opinion, by laying down the rules too hard and fast so that they become all-important, so that their main

function seems to be how to preserve, protect and extend their method of doing things as they have done them over the years rather than concentrating on the fact that they are there for the service of the public, and giving them more leeway to find more ways, and more efficient ways to be of benefit to the public.

For instance, I noticed that with respect to a change in position the legislation reads, "The deputy head recommends to the commission". I am very much afraid that this sort of provision is going to perhaps aggravate the sort of trouble about which the conscientious civil servant has complained to me.

After a good many years in the service there is bound to be the feeling "We have done this for years and we have done it this way", and even to the most honest and conscientious department head the suggestion by some of his staff, new staff particularly, that a new and more efficient method of doing things can be found is likely to be met with a good deal of resentment. If the department head happens to be a very intelligent man and a big man he is going to take it in stride; he is going to look at the suggestion very carefully, give the man credit and make sure that even a refusal of the suggestion is not going to discourage that employee from looking for improved ways of achieving more efficiency. If, however, the department head concerned happens to be an individual who has moved up despite his lack of ability over a great many years and who has become more and more set in his ways, the mere possibility of making a suggestion of changing the old method is going to leave that employee in a very awkward position in the department for a long time.

I am suggesting that it is not enough that the job be done in a certain way. It may very well be that the old method of doing things is very efficient; it might even be the most efficient way; nevertheless, the business of government is not run just like an adding machine. The government is always dealing with the citizens of this country and their feelings must be respected. I venture to suggest that it is not the business of this or any other government, or of the civil service, to continue to try to ram down the throats of the ordinary citizens those procedures that the ordinary man in the street finds annoying day after day, even if those procedures may be most efficient. I suggest that we have had too many barriers between the civil servant and the person he is serving, namely the ordinary taxpayer of this country. It has been most unfortunate in many respects; it has hindered the work of the civil service to this extent, that the taxpayer has failed to understand the civil servants and the civil servants have failed to understand the taxpayer. This lack of understanding has often resulted in a lack of co-operation, which hinders efficiency and which leads to bad feelings all around.

I am suggesting, Mr. Chairman, that if we insulate the civil servant too much from the minister who is after all responsible for having his finger on the pulse of the people, we are making it more difficult for the civil servants to perform their duties in a way which will please the public. It is more difficult for them to realize when the public are pleased and when they are not. I suggest, therefore, that the theory of protection of the civil servant from the politician has gone a little too far. We have, I suppose, to protect the civil servant from some politicians under some circumstances but I am suggesting to the committee that the putting up of more barriers is adding to the concept of the civil servant as something distinct and separate from the people. It has made his job more awkward and those who have talked to me have not liked the idea that they have been criticized by so many people over the years when they have been trying so hard to do their jobs. There is, I suggest, a lack of understanding, and I wish that we would allow just a little political influence to enter the picture so that civil servants can get closer to the people in understanding.

(Translation):

Mr. Pigeon: Mr. Chairman, I want to say a few words on this measure because I have noticed that bilingualism gets a better deal under this bill. Here is what I see in clause 47 of the bill:

> The number of employees appointed to serve in any department or in any local office of a department who are qualified in the knowledge and use of the English or French language or both shall, in the opinion of the commission, be sufficient to enable the department or local office to perform its functions adequately and to give effective service.

This clause represents a big improvement over the former act as far as bilingualism is concerned. I do want to congratulate the Minister of Finance (Mr. Fleming) for it.

We are all aware of a brief submitted by the conseil de la vie française, which dealt with the situation of French speaking Canadians in the federal civil service. Here, from 1950 to 1958, the departments where the proportion of French speaking Canadians has increased are the following:

Veterans affairs, 3.2 per cent; agriculture, 1.1 per cent, but with substantial decreases in some services. In the auditor general's office,

the increase has been of 10 per cent, but the staff there is very limited, so that the increase is slight there also; R.C.M.P., 1.1 per cent; fisheries, 1.3 per cent; national revenue, 1.6 per cent; secretary of state, 9.3 per cent; labour department, 1 per cent; national film board, 9.1 per cent.

On the other hand, there has been a decrease in the proportion of French-speaking Canadians, in the same period from 1950 to 1958: external affairs, 0.4 per cent; citizenship and immigration, 2.5 per cent; trade and commerce, 2.6 per cent; civil service commission, 2.6 per cent; national research council, 0.9 per cent; national defence, 1.2 per cent; finance, 0.6 per cent; printing bureau, 20.3 per cent; justice, 5.8 per cent; mines and technical surveys, 0.7 per cent; Post Office Department, 11.8 per cent; resources and development, 2.6 per cent; health and welfare, 6 per cent; transport, 2.1 per cent; public works, 16.8 per cent.

Mr. Chairman, I have taken those figures from the brief submitted by the conseil de la vie française in which we find statistics for the period going from 1950 to 1958.

As I said a while ago, this bill is an improvement on the present act. It will encourage my people, the French Canadians, to apply for positions with the civil service in Ottawa. In my opinion, it is essential, in the interest of national unity, that nearly one third of the positions in the civil service—not only secondary positions, but key positions—be held by French-speaking or bilingual Canadians.

In a few years we will celebrate the centenary of confederation. It would most certainly be appropriate, in the interest of national unity, first that a greater number of my people apply for positions in the civil service—that is most important—and second, that a greater number of French Canadians be appointed to key positions in the federal service. It would certainly be possible to improve the situation so as to attract both English speaking and French speaking Canadians to the civil service and to make them better qualified to work for the Canadian government.

I wonder whether it would not be appropriate to consider the possibility of establishing a civil service school to train both French speaking and English speaking Canadians to work for the government. Such a school could be established by the civil service commission or by the Secretary of State department.

[Mr. Pigeon.]

Moreover, although education comes under provincial jurisdiction, it would be a good thing if Canadian universities, and especially those from the province of Quebec, had a department where French-speaking candidates would be trained for positions with the civil service in Ottawa. In fact, if Canadian universities had such a department, we would have better trained civil servants.

We would then have better qualified people, something which, apart from being in the interest of national unity—it is always desirable to have a logical proportion of French-speaking and English-speaking Canadians—would enable the country to have more qualified men to serve the Canadian people.

Mr. Chairman, those are the few remarks I wanted to make.

Mr. Deschatelets: Mr. Chairman, would the hon. member allow me a question? He read a moment ago a table of the average French representation in the various departments, and I did not quite hear what was the average in the Department of Mines and Technical Surveys? Would he kindly repeat the figure?

Mr. Pigeon: Mr. Chairman, I shall gladly oblige the hon. member. There has been a drop in the proportion of bilingual Canadians in the Department of Mines and Technical Surveys, but that was from 1950 to 1958, or under the King-St. Laurent administration.

Mr. Deschatelets: Mr. Chairman, I would ask the hon. member to repeat the exact figure which he quoted to the house a moment ago as to average French-Canadian representation?

Mr. Dupuis: It will not be good.

Mr. Pigeon: I think it is 1 per cent; I do not recall exactly.

Mr. Boulanger: Mr. Chairman—

Mr. Pigeon: Just one moment, please. I should like to reply to the hon. member for Maisonneuve-Rosemont. He is referring to the Department of Mines and Technical Surveys?

Mr. Deschatelets: Yes.

Mr. Dupuis: Do not answer.

Mr. Pigeon: In the Department of Mines and Technical Surveys it is .7 per cent.

Mr. Comtois: It was .07 per cent previously.

Mr. Boulanger: Mr. Chairman, I should like to ask a question of the parliamentary secretary of the Minister of Finance (Mr. Bell).

Could he tell me whether Bill C-71 has been printed in both languages, and particularly in French?

Mr. Pigeon: Mr. Chairman, I shall send a copy over immediately to the hon. member.

Mr. Boulanger: Mr. Chairman, I thank the hon. member for Joliette-L'Assomption-Montcalm (Mr. Pigeon) for sending me a French copy of Bill C-71. I directed my question to the parliamentary secretary of the Minister of Finance because there was no French version of the bill on the table.

Mr. Pigeon: Does the hon. member wish to have another copy?

Mr. Boulanger: Moreover, Mr. Chairman, there were no copies available at the distribution office. That is why I asked whether French copies of this bill were available.

(Text):

Mr. Bell (Carleton): Mr. Chairman, I can only say that there must have been such great popularity for the bill that the stock has run out. It certainly was reprinted in both languages in the usual number.

(Translation):

Mr. Boulanger: Mr. Chairman, I thank the parliamentary secretary to the Minister of Finance for giving me such a satisfactory answer.

I now wish to add a few words, following the remarks of the hon. member for Joliette-L'Assomption-Montcalm to the effect that the situation has improved as far as French-Canadian representation in the civil service is concerned—

Mr. Pigeon: That is not what I said.

Mr. Boulanger: Mr. Chairman, for the past several years the Conservatives have been going about the province of Quebec speaking in favour of employment for French Canadians in the civil service.

I appreciate that there has been some improvement in that field under the Liberal government, and much more had been promised, since 1958, under a Conservative administration. However, we see today that the number of French Canadians in the civil service has decreased. Yet, we had some French-Canadian ministers who used to say, in the province of Quebec, that they were going to improve conditions in that respect.

Mr. Pigeon: They have improved.

Mr. Boulanger: Conditions have not improved.

Mr. Pigeon: Yes, they have.

Mr. Boulanger: And among the many documents we receive from the government, some are not even printed in French, for instance the report of the Canadian wheat board—

Mr. Ricard: That report was not published in French either when you were in power.

Mr. Boulanger: I never said that it was published in French under a Liberal administration. I said it was still not published in French today in spite of all the promises made in the province of Quebec in 1957 and 1958 by the Conservative ministers and private members.

Mr. Dupuis: Daniel Johnson's promises.

Mr. Boulanger: No French report was put out by the Canadian wheat board. Moreover, there are a number of other reports which are not printed in French, and when they are, it is two, three and even six months after the English edition has come out.

Mr. Pigeon: That is untrue.

An hon. Member: Do not blame others for what you failed to do yourselves.

Mr. Boulanger: Mr. Chairman, I ask the government members who speak so eloquently on the French fact to say less and to act without delay.

An hon. Member: That is exactly what we are doing.

Mr. Ricard: Mr. Chairman, following the remarks made by the hon. member for Drummond-Arthabaska (Mr. Boulanger), I should like first to point out to him that he has given no figures to substantiate his claims and especially his statement that the number of French-Canadian civil servants has gone down. I notice that he has been most careful not to say in what proportion the number of French-Canadian civil servants has decreased.

Moreover, he said that the report of the Canadian wheat board was not published in French. May I say that that report has never been published in French but that it will probably be next year.

Mr. Dupuis: You will no longer be here next year.

Mr. Ricard: Besides, I should like to point out to the hon. member that for the first time, this year, the annual report of the Department of Defence Production was published in

both French and English and that for the first time since confederation, the Department of Mines and Technical Surveys has issued an atlas in both languages.

Mr. Chairman, the Liberal members are disconcerted by those facts which bear evidence to the efforts we, of the Conservative party, have made to give an essentially bilingual character to our country.

Everybody acknowledges what we have done except the hon. members opposite who are lost in the clouds and who do not know what is happening in this house.

An hon. Member: Twenty two years of incompetence.

Mr. Martel: Mr. Chairman, as a—

Mr. Dupuis: Another expert.

Mr. Martel: As a member of the special committee whose task it was to study the Civil Service Act, I think it is my duty to point out that the bill we have before us constitutes an improvement over the present Civil Service Act which, as everyone knows and as several members have said previously, had not been revised since 1918.

Mr. Chairman, I heard a moment ago some members of the opposition make statements on the civil service and on the fact that the bilingual civil servants are less numerous now than before. These members seem to forget that during the 22 years they were in power they did not improve that situation, far from it, as I will show in a few moments. On the other hand, the bill before us is calculated to correct this anomaly, thanks to a quite special clause which my colleague the hon. member for Joliette-L'Assomption-Montcalm (Mr. Pigeon) has quoted and which I will discuss briefly in a few moments.

Mr. Chairman, we all agree that the part civil servants play in the administration of this country is becoming increasingly important, and that they are the ones who, in any well organized government, are responsible for research and study on which is based the government's policy and its preparation at the first stage, as well as the administration of the legislation passed by parliament. In fact, it is on them that we rely for these collective services which are, so to speak, the reason for the existence of the state.

They are also charged with the administration of controls, the collection of taxes, the spending of public funds; in short, they have an executive role given to them by the government in power.

[Mr. Ricard.]

The civil servants have always played a most important part not only in the administration of the country but also in the administration of each province and municipality.

As, nowadays, the responsibilities of the government are continuously increasing in the economical and social life of a country, and becoming more and more complex, the responsibilities of the civil servants are bound to take an increasing importance, and more and more civil servants are required all the time.

I do not have before me the last statistics concerning the total number of civil servants but, if my memory serves me right, I believe that there are more than 200,000 federal civil servants, irrespective of the staff of the crown corporations or of other departmental agencies which employ nearly 150,000 people.

It goes without saying that I am not including the members of the armed forces in these statistics.

On the other hand, Mr. Chairman, the citizens, and especially businessmen and professionals, must constantly keep in touch with the government administration.

Therefore, they take an immediate interest in the competence, efficiency, sympathy and understanding of civil servants. That is to say that the efficiency of the country's administration and the good relations between citizens and the government are at stake. This principle of efficiency in administrative services is based on the relations between the state and its servants.

In the course of its various meetings, the committee received many representations from different staff organizations. Their representatives had the opportunity of expressing their views and they were questioned by members of that committee.

I too should like to offer congratulations to the committee chairman who so ably conducted the proceedings and join with previous speakers who mentioned the matter.

I do not intend to point out all the evidence submitted before that committee, because hon. members will be able to read the various reports that have been published, but I should like to stress a few points and especially the one which was raised a while ago by the hon. member for Edmonton-Strathcona (Mr. Nugent) and which deals particularly with the power given to deputy ministers under the present bill. I share his opinion. Indeed, I think the various organizations have made recommendations along those lines, namely that the bill grants exceptional powers to the deputy ministers. I am not saying

that the latter will abuse those powers or that some deputy ministers have done so in the past; I have not been in the house long enough to make such a statement. However, it could give rise to certain difficulties between civil servants, that is between higher officials and their subordinates.

I wish to refer to a recommendation which was made by the conseil de la vie française d'Amérique which testified before the committee last May 5. That organization precisely stressed the point that it would perhaps be dangerous to give too much power to deputy ministers.

It is obvious that the commission always has more or less a veto on these various authorities, but I still want to point out that fact, because I think some wrongs might have been done in the past. In fact, I have in mind a case about which information was given to me by a civil servant. As in the case pointed out by the hon. member for Edmonton-Strathcona, those complaints did not come from the general public but rather from individuals who had been employed in the civil service. My information came from a person who was a federal civil servant during a period of ten years. I will not identify them, but that person was employed five years in one department and five years in another one.

Mr. Dupuis: Name that person.

Mr. Martel: I would not want to give the name, because that person is no longer with the government service. Still, it shows clearly that anomalies did exist at that time—

Mr. Dupuis: Another unproved statement.

Mr. Martel: —when our friends were in power—

Mr. Dupuis: Give us the name.

Mr. Martel: There is no need to give names in every instance and to lay charges as it is done now at the provincial level. I only want to point out anomalies to prove beyond doubt that there were injustices in particular under the former government and to show that now attempts are made to put the blame for all that on the Conservatives, who have been at the head of this country for only a few years.

Mr. Dupuis: Give us the name of that person.

Mr. Martel: And more particularly, in relation to the attitude of our opponents toward French Canadians or the bilingual employees. At that time, a suggestion was made to have French accepted as a communication language between offices located in the province of Quebec and those in Ottawa, or located in an area with sufficient French to warrant a bilingual staff. At that time this suggestion was not considered. On this point, I am happy to find that section 47 of the new act referred to a moment ago by the hon. member for Joliette-L'Assomption-Montcalm will do away with that anomaly. With your permission, Mr. Chairman, I am going to read this section into *Hansard* so that the opposition will be able to meditate on it, because I believe it will improve the situation which has prevailed until now:

> The number of employees appointed to serve in any department or in any local office of a department who are qualified in the knowledge and use of the English or French langauge or both shall, in the opinion of the Commission, be sufficient to enable the department or local office to perform its functions adequately and to give effective service to the public.

I hope this clause will open a larger number of jobs to bilingual people. It has even been suggested during our discussion by a C.C.F. member that a course be given to present employees to enable them to acquire a better knowledge of both French and English. That was no doubt a good suggestion, but it is beside the point. The only thing that could be done to improve the situation would be to give French Canadians a better treatment, to give them their due share in the federal civil service.

Before I conclude my remarks allow me to quote from a book on Canadian dualism written by Mr. Mason Wade. This book was edited jointly in both languages by the University of Toronto and Laval University.

It deals with different viewpoints adopted on this matter by Canadians from various groups.

I only want to read an excerpt from page 270 of Mr. Wade's book. Here is a quotation from the article by Mr. Norman Ward in his book:

(Text):

> Status in the national government is what the French Canadian really seeks, not only for his language in parliament, public affairs, and national broadcasting, but also for himself as a citizen. Apart from parliament and the parties, this means that he has a special claim on the civil service of which the following, although the figures are now out of date, is a typical expression.

(Translation):

And Mr. Ward continues as follows:

(Text):

> "—in 1918, before the creation of the civil service commission under the federal administration, the proportion of French Canadian civil servants amounted to 21.58 per cent while in 1946 the proportion was down to 12.5 per cent—"

(Translation):

Naturally, these figures have now been compiled up to 1958. They were mentioned a while ago, and I am referring here to Mr. Ward, who goes on as follows:

(Text):

> "—What is worse, with respect to salaries of $6,000 or more a year, the proportion of French

Canadians fell from 25 per cent in 1918 to 9.52 per cent in 1946."

(Translation):

From 1946 to 1957, the last year of the previous administration, the situation was far from improved. Thus I should like to quote further comments by Mr. Ward. The statistics he gave were taken from a speech delivered in the house by Mr. Frederick Dorion who was then, I think, member for Charlevoix, on June 16, 1946 as found at page 1620 of *Hansard* for that year. Among other things Mr. Ward said:

(Text):

The interesting variant on the spoils system in modern administration that is implied in the quotation is no doubt an inevitable product of a bilingual situation such as ours. It is no accident that the French Canadian complainant correlated the decline of the French with the reform of the civil service beginning in 1918, for the expansion of the dominion government in the last few decades was at first characterized, as was the entire civil service after confederation, by exclusively English Canadian thinking. Applicants for civil service posts have for years been able to elect to write examinations in French or English anywhere in Canada, and French Canadians have always held a share of posts, usually among the minor ranks and especially in departments staffed by the patronage method.

(Translation):

This is what Mr. Ward, the author, said.

(Text):

But as the technical requirements of the service have grown, and as English Canadians staff most of the higher ranks, the senior departmental officers have not unnaturally sought more English Canadians to work with, and until after the second world war the proportion of French Canadians in the total service was dropping steadily. As recently as the war a French Canadian cabinet minister could find himself marooned at the head of a predominantly English Canadian organization in which English was the only departmental language and only English Canadian ideas influenced the formation of policy and the organization of the department itself.

(Translation):

That is the end of my quotation, and I simply wish to draw the members' attention to the fact that this situation which prevailed in particular under the previous government was not improved at the time, as indicated by the author.

There is also the impression, which has spread among our population, that French speaking Canadians are not fit to fill positions in the federal civil service, or that they simply do not bother trying to get one. That will be said often, for instance, in the case of appointments made by the civil service commission to senior positions, following promotion competitions. In my opinion, that is not borne out by facts.

I have here an article in which it is said that very few French Canadian university graduates try to enter the government service. As pointed out in Mr. Ward's article, that is probably due to the fact that, when competitions are held for various positions, standards are used that fit the Anglo-Saxon mentality and which necessarily prevent those French Canadians who might wish to become federal civil servants to put forward their qualifications.

That anomaly has been stressed, in committee, by various bodies, namely the civil service association of Canada. A moment ago, a previous speaker—I think it was the hon. member for Ottawa East (Mr. Richard)—did refer to that. May I refer to page 7 of the submission of the civil service association of Canada, which reads as follows:

(Text):

We feel strongly that there should now be as much concern over patronage from within the ranks of the service as there was over political influence in 1918.

(Translation):

That fact was also stressed by Mr. Hughes, the new chairman of the civil service commission.

I refer here to an article which appeared on April 29, 1961 in the Ottawa *Citizen*, in which it is stated that there is still favouritism in the civil service. Perhaps that is just the reason. Perhaps that is the trouble, perhaps that is why the French Canadians do not have their fair share of jobs within the federal civil service.

Mr. Chairman, I should like to conclude my remarks by saying that confederation in my view, and this has often been said, is a pact between the two great races which founded this country. Many people, in fact, still consider the French Canadians not as equals but perhaps as inferiors or as the losers of a battle, and that is most unfortunate. But as long as this attitude will persist, we cannot consider ourselves as a great, united and independent nation where harmony prevails regardless of the religious or political opinions, or racial origins of its people, a nation where life is good, where western democratic freedom is intensely enjoyed every second, every minute, every hour, every day throughout the year, and for many years to come.

We were quoted as an example in the recent discussions between the French government and the Algerian rebels. I do hope those two countries will follow our example and will reach agreement.

People seem to forget, Mr. Chairman, that Canadians of French descent gave their lives for Canada's independence, more than a century and a half ago, when two attempts to take over our country were made, by our neighbours to the south.

Other French Canadians died on the field of honour to defend the freedom and interests of our common homeland, Canada, from the south African to the Korean war, making in the meantime an active and efficient contribution to the last two world wide conflicts.

I dare say that all those sacrifices have not been in vain and that the convention on which this confederation is laid is a pact under which certain rights are recognized to English and French Canadians alike, not only because the latter are to be tolerated, but because we have a full right to be here, and because we consider ourselves as equal partners.

On the other hand, if some persist in maintaining a hostile attitude towards French Canadians, always accusing them of being a vociferous, inferior and discontented lot while closing the door to higher posts before them by all sorts of intrigues which are humiliating for them, limiting their part to that of translator, it may be very unfortunate, but the confederation might get into difficulties, as recent happenings among certain groups in the province of Quebec would indicate. However, I sincerely hope that such turn will never take place, and I think that the new Civil Service Act will, on the contrary, help to improve conditions.

I shall probably have other remarks to make in committee on various clauses proposed in this bill.

(Text):

Mr. Carter: Mr. Chairman, as I used to be a civil servant myself I have a special interest in this bill and I should like to take advantage of this opportunity to make a few observations on this clause. The civil service is a most essential part of the machinery of government. Governments may come and go, but the civil service ensures continuity in the administration of the affairs of our country.

The importance of this was impressed upon me most forcibly not long ago when I had an opportunity to visit France, for which opportunity I am greatly indebted to the Minister of Veterans Affairs. I was surprised, almost amazed at the extent of prosperity I found prevailing in France, and in particular at the outlook and attitude of the people. It is the attitude of a young country and one might say that the country has become rejuvenated. I made inquiries about this from responsible officials, having in mind the numerous changes of government which have taken place in France right up to recent years. I asked how this could possibly have been achieved. I was assured that in large measure it was due to the excellence of the civil service of France which, although governments had changed frequently, had provided the continuity essential for maintainnig development.

Mr. Macdonnell: Mr. Chairman, may I ask the hon. gentleman what was the year of his visit? What year is he talking about?

Mr. Carter: I am talking about two weeks ago. I think about two years ago the estimates committee, of which I was a member, held some hearings into the civil service commission and a number of problems were brought to light. I presume this new act which is before us has taken care of most of those problems. At that time we found there were numerous categories of civil servants. There were permanent civil servants, temporary civil servants, casual civil servants and prevailing rates employees. There were also semi-civil servants, such as employees of the crown corporations, who were employees of the crown and were amenable to civil service regulations but nevertheless did not enjoy civil service status. One of the things that impressed me most was the fact that a civil servant could be temporary for as long as ten or 15 years. I was surprised to learn how many civil servants had been in that category for a very long time. I think one of the recommendations of the committee was that the number of temporary civil servants should be reduced. I have not had an opportunity to examine the bill since it was presented to the house a few minutes ago, but I do hope something has been done to meet that situation.

The civil service commission was set up as one of the safeguards of our freedom by ensuring integrity in the civil service and by eliminating undue political influence in connection with civil service appointments. The opportunities for patronage in the public service of Canada are now relegated to rather minor positions such as revenue postmaster, river guardian and a few minor, temporary jobs of that kind. I suppose that no matter how we set up our ideals we can never achieve them fully, but I was impressed by what was said by the hon. gentleman on my left who preceded me in this debate about patronage from inside the civil service. I do

not see how that could be taken care of by any type of legislation. I do, however, feel that we have not used the best methods of recruiting people for the civil service of Canada. Indeed, I have felt that some of the methods we employ perhaps defeat their own purpose.

Most hon. members receive copies of notices of civil service competitions requesting applications for certain vacant posts. On looking them over, one finds that the salaries offered are very often not in line with the qualifications and experience required or set forth in the notice. I have come across a number of cases where this has worked against the best interests of the public service of Canada. A very honest person will look at the requirements and say: well, I do not have those qualifications and therefore it is useless for me to apply for the position; and he does not apply. However, another person, perhaps not so modest, will decide to apply and it very often happens that the choice is finally made from a group of people who are not of as high a calibre as those who neglected to apply in the first place because they were discouraged by the high standard set out in the competition notice.

Then there is the matter of boards of selection. Unless the application form has been changed recently there is a space on it somewhere in which the candidate is expected to list all his previous jobs—the name of the employer, the length of employment and so forth. It seems to me that very often the more lines of employers a man can fill in on that form the better his chances are, because that is taken as being experience. Here again, I think the form is defeating its own purpose, because it is not how much experience a person has had that is important. The important thing is the kind of experience a person has had together with its quality. Very often this is not apparent from the application form.

Again, most competitions for jobs which carry an average salary require an applicant to come before the board of selection. I may say that I know something about this work because I used to serve on such a board before I became a member of parliament. I was a representative of the Canadian Legion on selection boards to make sure that veterans got a fair deal and that veterans' preference was preserved. I noticed two things during that short experience. One was that the questions asked by the person conducting the proceedings and by the government representative very often had no relation whatsoever to the job which was being offered. Often no real attempt was made to bring out information which was not apparent from reading the application form. Often this resulted in the applicant being placed at a disadvantage because, naturally, he had been expecting to be asked questions about his knowledge of the job he was supposed to follow. It can be very disconcerting when a person is asked a lot of other questions which, to him, are not related at all to the job for which he is applying.

The other thing I noticed was that an opportunity obviously existed for whoever was representing the department concerned, to frame his questions so as to favour one candidate more than another. I think this is done more frequently than should be the case. In the final analysis this boils down to the integrity of the people serving on the board. If a person has made up his mind in advance, after reading application forms, that he wishes a certain person for a particular job it is not difficult for him to favour one applicant, or to frame questions to which one applicant can reply, and then to eliminate another applicant by asking questions which have no relevance or which that other person is not likely to be able to answer.

About a month ago a case arose in my own province where a number of applicants were before the selection board. They were kept waiting for a while and the very suspense of waiting for half an hour or an hour to be questioned is likely to be nerve wracking. It happened that one of the applicants at that time was under great stress because of some situation at home; his wife was ill, and there were other problems. When he went before the board he had a complete mental blackout. As a former teacher I can understand how that can happen because I have encountered the same thing when school children, who know what the answers are to certain questions, find their minds a total blank when they are called upon to give those answers on the spur of the moment. That is what happened to this person. He was a candidate for a job which he was qualified to do. As a matter of fact he had been doing it for a number of years to the satisfaction of his superiors. Yet, when he went before this board, because of the situation I have just outlined, he had this mental blackout and failed the competition.

I mention these things because I think great care should be taken by everyone who has the responsibility of sitting on these boards of selection. Then, again, since coming to parliament 12 years ago, I have encountered numerous cases of people in the civil service who have come to me and told me about their grievances. There may be some clash of personality, or the superior may like somebody else better. This person has been brought up and advanced ahead of

the person who has been on the job for a longer period and, according to the evaluation certificates, has done very good work. That, of course, is very upsetting to morale. I have known several people who have been on the verge of breakdown because they have been up against this sort of treatment. It is intangible. They do not know how to fight it. They feel they cannot fight it successfully anyway and so they exhaust themselves emotionally and nervously and come to the verge of a breakdown.

The other point that I should like to make has to do with remuneration. If we are to have the kind of civil service that we want for Canada we shall have to pay our top civil servants and all civil servants on the same basis as private enterprise pays its employees. There used to be a time when civil service salaries were much lower than those which prevailed in industry, and this was justified by what was supposed to be job security. I do not think that the job security argument was ever a good one because I think the person who is so much concerned about security that he would take a lower paying job is not the right type of person anyway.

As far as pensions are concerned, nearly all the big companies have their own pension plans and we are looking forward to the day when those pension plans will become portable. Therefore so far as pensions and security at retirement are concerned, the security argument had no foundation at all. However, as an employer I feel that the government of Canada should follow the principle of equal pay for equal work. This is not being done. It is causing a great deal of injustice. To prove my case I will cite what is happening on the Department of Transport vessels. The Department of Transport operates a number of icebreakers and lighthouse tenders and boats of various sorts. The captains and officers of those boats all have the same responsibilities and in many instances the boats are of practically the same size and are doing the same work; they are even doing it in the same waters; and yet because the crew of one ship is recruited in one province and the crew of another ship is recruited in another province there is a discrepancy in the salary paid to the officers and men on the different ships. I submit this is something that should not be tolerated; it is something that cannot be justified. The captains and crews are all carrying exactly the same responsibilities; they are doing exactly the same work; they are on ships of comparable size and they are not even confined to one particular water. They move back and forth in different waters. Newfoundland icebreakers very often are employed in the gulf of St. Lawrence and vice versa. It seems to me there is no justification whatever for having one scale of salaries on one ship and a different scale on another. What I have said about the Department of Transport applies equally to boats operated by the Department of Mines and Technical Surveys.

There is also the question of pensions. We are still faced with the problem of many civil servants who retired long years ago when the dollar was worth much more than it is now and who did not receive a very big pension. I think we have some obligation here. I do not know whether it is taken care of under this legislation or under some special legislation.

Mr. Bell (Carleton): My hon. friend realizes that it is not a matter for the Civil Service Act but for the Public Service Superannuation Act, an entirely different measure.

Mr. Carter: It may be under a different act but it is part of our responsibility toward the civil service of Canada and I do hope that something will be done about it.

There is one final point I should like to make before I sit down. I refer to morale in the civil service. I think we cannot place too much emphasis on the necessity for maintaining the highest possible morale in the public service of Canada. We have seen what has happened in many countries where subversion has entered in and people in sensitive posts have betrayed their countries and passed over vital information to the countries which are seeking to bring about our downfall. We may try to isolate what we call sensitive posts but that sort of thing is not confined to people in sensitive posts; it is a part of the general morale of the whole service. I think it is something that requires special consideration; it is something for which we are all responsible and it will in great part result from the type of people we select to administer this legislation and the way it is carried out.

Mr. Howard: Mr. Chairman, I have only one general theme to deal with at this time and it is somewhat the same as I have dealt with in speeches during other sessions and by way of introduction of bills during other sessions. I refer to the question of bargaining rights. I made two or three different proposals which have met with some objection in the past. One was that the current Industrial Relations and Disputes Investigation Act should apply to employees in the public service negotiating with their employer, with certain exceptions, such as the

right to strike, and that arbitration proceedings be employed instead of conciliation proceedings as they are known under the Industrial Relations and Disputes Investigation Act. A variation of that this year was also proposed by myself by way of another public bill which in essence said that parliament would be the final arbiter of those matters and would in fact receive the report of the conciliation board under the Industrial Relations and Disputes Investigation Act and would make the final decision on any points which were contained in the report.

Other suggestions have been made and I would think the employees themselves who are concerned with this question of their right to negotiate particularly with their employer are not wedded to one particular system of bargaining as opposed to another. In essence I think what they want to have is the right of determination of their own destiny to the extent that that is possible by way of developing a collective agreement. They want the right to know who their employer is in the sense of whom they are bargaining with, and there is some doubt about that at the moment. Whom should they approach with respect to, first, the development of collective agreements or systems that exist governing wages, hours and working conditions and the like and, second, the processing of grievances?

I am quite sure that even the top officials in the various employee associations are not sure from time to time in their dealings on these matters whether they are dealing with the civil service commission, with the government or whether it is treasury board with whom they are dealing so far as having the final say is concerned or whether it is the parliamentary secretary to the Minister of Finance with whom they should be dealing. Many of them are not sure from one day to the next, depending on the problem, who it is that has the final say with respect to the points that they want to discuss. There appears in that sense, as I said, to be no employer but some murky group of people who at different times have certain things to say about different matters.

As I have said earlier and also on other occasions, in industry employees are governed by the Industrial Relations and Disputes Investigation Act and an employee in industry knows who his employer is. When his organization or association or union sits down on his behalf either to bargain for a collective agreement or to process a grievance it is known who has the final determination. It may be true that in the preliminary stages or in all stages a union or association in private industry will deal with a lawyer representing a particular company or with some employers' association representing a number of employers or possibly with industrial relations consultants. Apart from that, however, there is one person who is the employer. Behind the lawyers and employer associations there is a corporate structure. There is a general manager or a president and board of directors. There is somebody tangible with whom the employees can deal even though in an indirect way, and there is some difference between that system and that which exists within the public service so far as the relationships of the employees with their employer are concerned.

In private industry employees have the right to determine their own course collectively, to have some part collectively in the decision as to what will be their wages, hours of work and working conditions and how various grievances will be processed and dealt with conclusively. Whether or not the decisions are in favour of the employer or employee is immaterial to the point that there is some place where these differences of opinion can be determined.

This is not so in the public service of Canada or in the public service of a number of provinces. So far as the question of dealing with their employer is concerned, civil servants so-called—I do not care for that name but it is the one which is used regularly—employees in the public service of Canada are in fact, as I have said on many occasions, treated as second-class citizens. They are in a different class from other employees. They are in a different class even from employees of crown corporations who have the right of determination and the right of collective bargaining.

In addition to the suggestions I have mentioned, there have been other suggestions made so far as collective bargaining is concerned and some of these should be accepted by the government. I cast no reflections upon the committee that dealt with this matter but I think it is extremely unfortunate that the bill was introduced in the form it was in the first place, that it was reported back to committee of the whole from the standing committee in the form that it was and that there is no adequate or sensible provision for collective bargaining contained in the bill now before us. So long as there is no satisfactory system of collective bargaining there will continue to be difficulties. Employees of the public service are going to continue to have their wages depend upon the whims of a minister of finance and the manner in which he might be able to juggle the books. They are going to have to depend to a certain degree on governmental decisions, some of which may be made on a political basis depending on the relative nearness of

an election. They are going to have no formal, sensible approach so far as their dealings wth their employer are concerned, and this is going to continue to cause difficulties.

We passed a bill of rights last year which said in effect or was supposed to say that we believe in equality before the law, but the government does not believe in it when it comes to the public servants of Canada. I am paraphrasing the belief of the government in this regard because I do not think that anyone will say that the bill of rights has any effect or that it covers the activities of the government in its dealings with the public servants of this country. Yet this is the base from which we should start. These individuals should have the basic right that other people have to bargain collectively, to know who their employer is and to be able to deal with him in such a way as to bring about a conclusive result with respect to their grievances, requests and demands from time to time.

Inasmuch as we have a civil service commission that over many years has gathered a great deal of information, statistics and records about relationships of wages and so on in the civil service, it has been suggested that the commission should remain as it is with some alterations, that it should be the agency to which the various employee associations should present their proposals for a collective agreement or for changes and that the civil service commission would in effect be something akin to a conciliation board so far as private industry is concerned. It has been suggested that after the civil service commission had heard arguments from the employee associations and certainly after hearing the arguments from the point of view of the government representing the crown, which in essence I suppose is the employer, it would be in a position similar to that of a conciliation board and would make a public report and recommendations governing the provisions of a collective agreement. The public would have knowledge of this report in the same way as the public now has knowledge of conciliation board reports which are released by the Minister of Labour.

It is further suggested that if the terms of the recommendations were not acceptable to the government or to treasury board, whoever it is that happens to make the final determination, the civil service commission should then step out of the way. Suppose it is thought desirable to establish a negotiating committee of cabinet. This negotiating committee would then be able to meet with the representatives of the employee associations to bargain collectively upon the points at issue.

A few years ago we had some experience along this line in British Columbia when the provincial government said it was going to solve everything for the civil servants of that province by establishing a cabinet committee to meet with civil servants for purposes of negotiation. Everyone thought this was going to be a fine idea, but in one instance it took the British Columbia government employee association over 18 months to even get a meeting with the cabinet committee to talk about one grievance relating to a stationary engineer employed at the old folks' home. When I suggest a cabinet committee as the negotiating arm of the government, I am not suggesting that it follow the course established by Premier Bennett in British Columbia when his negotiating committee of cabinet took 18 months to even sit down with the representatives of the employees.

I think that the negotiating team of the cabinet or committee of the treasury board, whatever seems to be the desire of the government should be governed by some statutory requirement in connection with its meetings with civil servants, just as employers in private industry and unions must meet within a certain period of time if either side opens negotiations toward a collective agreement. I feel that there should be some time limit. In addition to that, I feel that if no agreement is reached at that stage there should be some form of arbitration to finally determine what the provisions of the collective agreement are going to be.

As I have said, a number of proposals have been made in this regard. These proposals have obviously been rejected by the government in office because it would obviously want to maintain the amount of control which now exists and retain the right to prevent public servants in Canada from having what should be their right, that is the right to be heard and the right to freedom of determination of their own affairs. It is obvious from the various refusals and arguments that have been made from the government side, that the government is not interested in extending, in a decent fashion, the right of collective bargaining to the public service of Canada. It is obvious that this government is not interested in even remembering the bill of rights, let alone extending it or making it apply to people to whom it should apply. It is quite obvious from all the comments that have been made that this government wants the Minister of Finance to be able, as he did about a year ago, to hand pick groups of people within the public service and say, you will get so much an hour more and you will get so much an hour more. This government wants

to venerate the Minister of Finance and exalt him to a position of being next to, if not in place of, God himself.

This is not good enough. The other day the hon. member for Greenwood upheld the Minister of Finance as being a truthful and honest person. No one disagreed with what he said at that time. Perhaps subsequent events made some alteration in his opinion, I do not know. The fact of the matter is that the Minister of Finance should not have—

Mr. Bell (Carleton): That is a totally unworthy insinuation.

Mr. Howard: What is an unworthy insinuation?

Mr. Bell (Carleton): What the hon. gentleman has just uttered.

Mr. Howard: What have I insinuated?

Mr. Bell (Carleton): The hon. member has insinuated that subsequent events have, in some way, cast some doubt upon the veracity of the Minister of Finance.

Mr. Howard: I did no such thing.

Mr. Macdonnell: Of course you did.

Mr. Howard: Here we have three or four people now taking part in this. This is typical of this government. They jump to conclusions and are thin skinned. All I am asking you to do is listen.

Mrs. Fairclough: All you want us to do is listen while you talk.

Mr. Howard: If the hon. lady wants to get into a debate with me about a variety of things happening in her own department, I would be quite happy to oblige her. However, this is not the place to do it.

Mrs. Fairclough: I will answer any questions you wish to ask any time.

Mr. Howard: A question was asked of the hon. lady more than a year and a half ago and she promised the member for Burnaby-Coquitlam that she would provide certain information for him and she has not done it yet.

Mrs. Fairclough: That is a lie.

Mr. Howard: She says, that is a lie. I would not even give you the pleasure, madam, of asking you to withdraw, because I know you would think about it anyway. All I said was that the other day the hon. member for Greenwood objected to me making reference to untruths and the like about the Minister of Finance, which I withdrew. I said that perhaps subsequent events would lead the member for Greenwood to change his mind, not that the Minister of Finance was telling falsehoods or anything of that nature. What the hon. member for Greenwood does is his own business. The point at issue is this. The touchiness of hon. gentlemen opposite indicates very clearly that they do not want the public servants of Canada to be on the same plane and have the same rights, freedoms and responsibilities as everyone else has. They want to continue to treat the public servants as second-class citizens, to be able to juggle their wages, hours and working conditions as it is politically expedient so to do and keep them in a condition of subjugation. They want to continue to force them to be the cap-in-hand people who come to the cabinet or perhaps the Minister of Citizenship and Immigration, with all her graciousness, and ask, please, madam, would it be possible to have a change in our working conditions?

I do not think that is good enough for the people in the public service of this country. As I said earlier, it is extremely regrettable that the government did not have the courage to bring in this sort of bill in the first place so that these people who have been treated as second-class citizens for many years by previous governments, could at long last be brought out of that condition and brought to realize that perhaps the bill of rights does mean something to them. The civil servants might be brought to realize that the bill of rights is not a fanciful group of words about which the Prime Minister likes to become emotional from time to time.

Mr. Tardif: Mr. Chairman, on July 7, 1961, at page 7686 of *Hansard*, the Prime Minister gave a definition of the bill of rights as it applies to the civil service. This is one reason why I, as a member of the committee, am still worried about the lack of the right of arbitration in the bill that is now presented to the committee. I am not going to read what the Prime Minister said about the obligations or responsibilities of civil servants. However, I am going to read an outline of the effect that apparently the bill of rights will have on civil servants. He said:

> Then, as far as civil servants are concerned, these words might be used, I think, to define their responsibility; one way to put it is that civil servants, like children, should be seen and not heard.

Actually, that is the one thing that is missing from the bill that is presented to us now.

Mr. Macdonnell: Mr. Chairman, would the hon. member permit a question? Do I understand that when he used that phrase which he just used about civil servants being seen and not heard, he attributed that phrase to the Prime Minister; is that correct?

Mr. Tardif: Yes.

Mr. Macdonnell: Does he not know—he must know—that the Prime Minister quoted that as a phrase used by the hon. member for Bonavista-Twillingate. How can the member be so utterly unfair as to try to leave the impression again that those were the Prime Ministers' own words?

Mr. Tardif: Actually, from what I read at page 7686, there is no indication that the Prime Minister was quoting anyone else. I shall read it for you, if you will listen.

Mr. Macdonnell: May I ask the hon. member a question? Does he not know that those words were used by the Prime Minister as a quotation from the hon. member for Bonavista-Twillingate? Does he know that? That is the question.

Mr. Martineau: May I speak to the point of order, Mr. Chairman? I think the hon. member has been most unfair. He knows very well that those are not the original words of the Prime Minister, they are a quotation. It is in plain letters here when the Prime Minister continued, as found at page 7686 of *Hansard* and said:

> Hon. members may wonder what I was quoting from. Well, I was quoting the immortal words of the member for Bonavista-Twillingate spoken on October 24, 1953, at Carleton College,—

Surely the hon. member knows that he is creating a false impression by attributing to the Prime Minister the authorship of words which immortally belong to the hon. member for Bonavista-Twillingate.

Mr. Argue: That is just the way the Prime Minister acts.

The Chairman: Order.

Mr. McIlraith: On the point of order raised by the hon. member for Pontiac-Temiscamingue I would point out that the words were taken by the Prime Minister as his own and used in debate. Then later he referred to the source of the words. I wish to put on record the whole of the quotation, not just the part read by the hon. member for Pontiac-Temiscamingue.

An hon. Member: What is the point of order?

The Chairman: Order.

Mr. McIlraith: The point is this. The Prime Minister was referring to the Bank of Canada and he went on to say this:

> Then, as far as civil servants are concerned, these words might be used, I think, to define their responsibility: one way to put it is that civil servants, like children, should be seen and not heard.
>
> Some hon. Members: Hear, hear.

The Prime Minister then continued and the hon. member for Pontiac-Temiscamingue quoted him from there on. I should repeat that quotation so that it will be complete:

> Mr. Diefenbaker: Hon. members may wonder what I was quoting from. Well, I was quoting the immortal words—

The word appearing here is "immoral" but it was corrected later by the Prime Minister.

> —of the member for Bonavista-Twillingate spoken on October 24, 1953, at Carleton College, in which the following personal remarks were interspersed:

Then appears the quotation:

> "I know that there are those who would disagree violently with this view—some people already have—"

And he quotes who disagreed.

> "—but I am vain enough to believe that I was a good public servant."

From the whole quotation it will be seen that the Prime Minister had adopted the words and used them as his own. He then went on to say from where he had obtained them and to attack the hon. member for Bonavista-Twillingate. That was the whole burden of his argument.

Mr. Diefenbaker: I was absent, Mr. Chairman, when the hon. member for Russell had his say in this connection, but I am glad to have been present during the concluding remarks of the hon. member for Ottawa West. May I say immediately that I was quoting the words of the hon. member for Bonavista-Twillingate. I placed those words before the house as an example to which reference was made during the course of that memorable address by him to Carleton university back in 1953. The remarks can be found in the Ottawa *Citizen* of that day. I was not in any way appropriating them. I was simply pointing out that the hon. member for Bonavista-Twillingate had used these expressions and that it was of great interest that the mover of the vote of thanks on that occasion was Mr. Coyne, governor of the Bank of Canada. I am extremely glad of the opportunity of saying that the words are those of the hon. member for Bonavista-Twillingate. They are not accepted in any way by us but are quoted simply as indicating the attitude of one who at that time had occupied a prominent position in the civil service and was speaking apparently with the authority that position would merit.

Mr. McIlraith: Oh, no; nothing was said about his speaking with the authority of that position. I think the Prime Minister will agree that statement was not in his remarks.

Mr. Tardif: My quoting these words of the Prime Minister certainly created some sensation. I was not in the house when the Prime

Minister said that. Yes; I was in the house when the Prime Minister made that speech.

Some hon. Members: Oh, oh.

An hon. Member: You had better get your story straight.

Mr. Tardif: It still creates quite a bit of sensation. I was in the house when the Prime Minister said that, and he said that with a great deal of pride. Then all of a sudden somebody said "Hear, hear" and the Prime Minister immediately corrected it. He said, "I don't want you to believe that I said that; I am just quoting what the hon. member for Bonavista-Twillingate said." I was going to point that out if hon. members had given me a chance to do so without interrupting me.

Some hon. Members: Oh, oh.

Mr. Tardif: Just a moment; let me finish.

The Chairman: Order.

Mr. Tardif: It is true that after some members drew to the Prime Minister's attention the fact that this was an improper statement to make, a statement that would probably stay with the members of the civil service staff for a long time to come, he corrected the statement. However, that is the action of the government. We just saw in the past few days an instance—

Some hon. Members: Oh, oh.

Mr. Tardif: —where a civil servant or employee of the dominion government can be seen and should not be heard. The last employee of the government that was heard, of course, was heard by a Senate committee.

Some hon. Members: Oh, oh.

Mr. Tardif: There is no question, Mr. Chairman, that even if the Prime Minister attributes—

Mr. Valade: I rise on a point of order, Mr. Chairman. The hon. member for Russell has just said that the Prime Minister corrected that sentence after that interjection. May I say that the Prime Minister never corrected it. He had a clipping from a newspaper from which he quoted this statement by the hon. member for Bonavista-Twillingate.

Mr. Tardif: I thought I was being quite bold in quoting the Prime Minister and I was not under the impression that he needed any help. As a matter of fact, I am sure he does not need any help to defend himself.

Mr. Valade: Not from the hon. member.

Mr. Tardif: I accept the explanation of the Prime Minister and I tell the Prime Minister that actions speak much louder than words.

I personally think that in this bill presented to the house today there should have been included a clause that permits the civil service to go to arbitration. If it were possible for civil servants to go to arbitration it would eliminate many problems for them. There is no question that private industries and the leaders of private industries in Canada recognize collective bargaining. I wish to refer to a speech made by the president of Ford Motor Company of Canada, delivered before the British Columbia chamber of commerce on May 15, 1961, in which, with regard to collective bargaining, he said that he believes it is vital for business leaders to reaffirm their belief in the principle of collective bargaining as a device by which management, employees and union represented employees can represent divergent views in order to provide solutions with which both can live. Acceptance of this principle by management must be predicated, of course, he said, on collective bargaining rendering service to the whole economy.

The same thing exactly, Mr. Chairman, could apply to the employees of the civil service, namely that they be permitted to go to collective bargaining and that they be permitted to present their views in a manner that will be beneficial not only to the employees but to the economy of the country also. It would also prevent the government from procrastinating in making decisions in connection with salary adjustments, vacation adjustments or any other working condition that apply to civil servants. I know that the ministers or the hon. members across the floor will say that there is not procrastination. The last time an increase was granted to civil servants it was after demands that were about two years old. If they had collective bargaining or permission for collective bargaining, they would immediately apply to the board and prevent this procrastination that is a recognizable attribute of the present government.

There is another injustice that was done to civil servants at the end of a period of two years of procrastination. It was the fact that salary adjustments had been made to departments at different periods. It is my opinion and that of many of the people who sat on the committee that the adjustment in salaries should apply to all civil servants at the same time. If, because of an increased cost of living or because of other conditions, there is necessity to adjust salaries for civil servants, the necessity should apply to all civil servants at the same time, not to one department in January, another department in May and another one in November. All civil servants should be treated in exactly the same manner. There should

be no discrimination, as there is in some departments, in keeping them waiting longer for the adjustments they deserve and which have been agreed.

The hon. member for Edmonton-Strathcona said that in his opinion civil servants were getting too much protection. Unfortunately I find that is the attitude of the government; they think civil servants are getting too much protection. Every time a minister or a member of the government speaks to an audience they talk of the efficiency and the quality of our civil service, and in the House of Commons they say these civil servants are getting too much protection.

I can advise the hon. member and the government that not only are civil servants not getting too much protection, but they are not getting the protection that is given employees in private industry. Civil servants are at the mercy of the government in respect of decisions that are made. For instance, while this may not be a very important example although the last statutory holiday was part of this bill, it was not granted to civil servants because the bill had not been passed in the house. I hope the necessary arrangements will be made so that the next statutory holiday will be given to civil servants and they will not be forced to lose it as they were last time.

There is another provision that should have been included in this bill but which has been omitted. While I think the bill is an improvement over the measure that was in force and had been in force for a great number of years, there are still many things which should have been inserted in the bill to make it more appropriate. Temporary civil servants should be entitled to the 2 per cent holiday pay as are employees in industry. This provision should apply not only to employees who work for a short period of time but also to employees who work for a number of days every week and are considered temporary employees.

The hon. member for St. Denis, as reported at page 4717 of *Hansard*, asked the Postmaster General whether it was true that temporary post office employees were asked to pass examinations. The Postmaster General answered—I can quote his answer if the committee wishes, but I do not think it is necessary—that temporary employees were asked to pass examinations because their salaries had been adjusted and they were receiving the same salary as clerks doing an equivalent job. He said their salaries had been raised from $1.26 to $1.72 an hour.

As reported at page 7183 of *Hansard* of June 28, the hon. member for St. Denis asked the Postmaster General whether temporary employees were going to be granted holiday pay. The Postmaster General said no, it did not apply to them. So the Postmaster General will not think I am misquoting him I will read his answer:

> Mr. Speaker, I can understand the hon. member's preoccupation with holidays at this stage in our parliamentary session. I think many hon. members are preoccupied with the same consideration.

That was one of the humorous remarks that the Postmaster General usually makes perhaps to prevent a straight answer to a straight question. He continued:

> In this particular case these people are working three or four hours a day. It is not full time employment. They are perfectly free to arrange for holidays if they wish.

In industry, whether or not an employee works only two or three days a week, he is entitled to 2 per cent of his salary as holiday pay and he is the man who decides when he is going to take a holiday. The fact that he is a temporary employee does not prevent him receiving that percentage of his pay for holidays. With respect to part time civil servants there seems to be no obligation under our present regulations to pay them for holiday time.

Industry in the province of Ontario pays 2 per cent of the salary to employees whether they are part time or full time. In this case employees are being asked to pass the same examinations as permanent employees if they are going to work two, three or four days a week regularly throughout the year, and it is my opinion that they should be entitled to 2 per cent of their salary as holiday pay. I deplore the fact that this provision was not included in the bill.

At that time the Postmaster General could not understand why these people should not take examinations and yet be treated differently from regular employees. I think the government should certainly have considered this question and included this provision in the bill presented to the house. If some of these provisions had been included in the bill I am sure our civil servants, who are recognized not only by the government but by the opposition as being the foremost civil servants in the world—this is agreed by everybody—would be a lot happier. I do not think it would cause any great headaches to the government and I think it would eliminate many of the problems that the civil servants of Canada have to face.

Mr. McIlraith: Mr. Chairman, in the discussion on clause 1 of this bill in committee of the whole house it is perhaps appropriate that I should make some preliminary remarks about the standing committee to which the bill was referred after second reading.

I wish to make it clear that for my part I felt the committee made remarkably objective study of the bill. I should like on my own behalf to express to other members of the committee my appreciation of their objectivity in trying to deal with what is of necessity a somewhat complex problem. The chairman of the committee conducted the hearings in a way that tried to take full account of the rights of all members of the committee and of all the associations which wished to be heard or make representations. I must say I found this a very pleasant relief from some experiences I have had in other committees this year and last year. But I am not going to discuss that aspect of the matter here. It was a very satisfactory experience to have that approach taken by the chairman and all hon. members from all parts of the house who were serving on the committee. I wish to express that thought at the very outset of my remarks. I think it should be expressed and I am quite happy to do so.

There is one interesting sidelight to the work of the committee. It seemed to me that the result of the rather lengthy and thorough studies given by the committee was to make us appreciate all the more the splendid work performed by those who drafted the original act in 1918. When one remembers that the act is now some 43 years old, the changed circumstances of the times, the changes in the civil service, the great growth in the civil service and the many new problems which have arisen, one cannot help but have an appreciation of how well the principles in the relationship of government-civil service matters were laid down in the old act. I for one am perfectly prepared to acknowledge that. I am happy to acknowledge it and to express appreciation to those who were concerned with the draftsmanship and sponsorship of the bill at that time.

It was a coalition government. I have expressed the thought previously on this bill that the original bill could probably not have been passed had it not been for the fact that there was a coalition government. It is rather interesting that the two people who were mainly concerned with the carriage of that bill later became judges in very high positions in the judicial system of this country. There is no doubt at all about the fact that it was the coalition government which passed that bill, and it was because it was a coalition government that it was possible to get so many clauses, strong clauses, I may perhaps call them, inserted in the bill. It was a very good thing. I, personally, take some pride in the fact that the two ministers who had so much to do with it were Liberals, but the hon. member for Greenwood would probably say this was a mere accident.

Mr. Macdonnell: Well, God moves in a mysterious way, his wonders to perform.

Mr. McIlraith: That is another pleasant debate which we shall leave for another occasion.

I wish to place some observations on record about the original act because I think it is proper to do so. The bill before us now does not change the basic concept of this original act at all, but it does make many improvements which the passage of time has shown to be desirable and necessary. The committee was able, because of the way in which it approached this problem, to have many amendments made in the committee. I think the bill which has come back to us from the special committee is very much improved as compared with the one that went to it. I have not a note of the number of amendments which were made in the committee but it was sufficient to warrant the reprinting of the bill. I think that is all to the credit of the committee. I think it indicates that people were willing to treat the subject objectively. For my part, while the amendments have not granted all I would have wished, they certainly are improvements and I am the first to acknowledge it.

There are many questions which I could raise. The hon. member for Inverness-Richmond, speaking earlier this afternoon, indicated that with the passage of this bill a new golden age would be ushered in for the civil service. I wish to point out that there is one flaw in that reasoning. Golden ages for the civil service, whatever is meant by that—and I presume the hon. member means good relations, high efficiency, high morale, and so on—will not result merely from legislation. They result from the treatment received at the hands of the government in office from time to time. Good legislation is a great help but it is not legislation which makes what the hon. member calls a golden age for the civil servants. That condition is brought about by a proper appreciation and understanding on the part of the government from day to day, whatever government might be in office, of the role of the civil service in carrying on the activities of government, an appreciation of the necessity of a strong administrative arm in any government if that government is to perform efficiently and well, and of the necessity of a strong and efficient civil service if the policies of the government are to be efficiently and well carried out from day to day.

That relationship is not easy to define in precise terms but it does require an understanding and appreciation which is not always given in an equal degree by governments. Indeed, if hon. members would look at the history of the civil service since the predecessor to this bill was passed in 1918 they will see that the low periods, the periods which were not in any sense a golden age of the civil service, were brought about not because of any change in the legislation at any point in that period of time but rather because of the changing attitudes of governments from time to time. The point I wish to make is, in other words, that not only must we have good legislation on the subject but we must have a good understanding of the problems of the civil service and a good working relationship and direction from the government, whatever government it may be. I must say I regretted part of the line taken by the hon. member for Joliette-L'Assomption-Montcalm and the hon. member for St. Hyacinthe-Bagot. It seems to me both of them had lost their objectivity in dealing with what must remain a difficult and delicate subject, though a most important one in a country constituted in the way our country is. I think the problem they were seeking to deal with, the question of bilingualism in the civil service, was treated by the committee in its study as one requiring a great deal of attention, one of real importance. But it was treated as a question of bilingualism in this country because of the rights of the two languages and because of the historical origin of those rights and the need to preserve them fully in spirit as well as according to the letter of the law. Regrettably, the hon. members to whom I referred used the term "French Canadian" in this context. Indeed, one of them used the term "French Canadian" almost exclusively instead of using the term "bilingualism". Then they sought to digress into party warfare on the subject. As a matter of fact, the members who sat on the committee reached, I thought, a remarkable degree of unanimity on that point and on the necessity of trying to get the kind of legislation with regard to this aspect which would be satisfactory.

May I call it six o'clock?

Progress reported.

BUSINESS OF THE HOUSE

Mr. Pickersgill: I wonder whether I might ask the leader of the house if he can indicate what business the government intends to put forward tomorrow and for the rest of the week?

An hon. Member: Why not next week, too?

Mr. Churchill: I did not anticipate that the opposition wanted to sit here for the rest of the week. I shall simply announce that tomorrow we shall carry on with what we are doing today. The order of business—if it is to be changed I will notify the opposition in good time—will be consideration of the Civil Service Act with which we have been dealing in committee, followed by interim supply. If it is possible to reach some solution to the problem of the divorce cases, we might have something to say with regard to that tomorrow.

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

Questions

ANSWERS TO QUESTIONS

The following answers, deposited with the Clerk of the house, are printed in the official report of debates pursuant to standing order 39:

SURPLUS MANPOWER AREAS

Question No. 284—**Mr. Pitman:**

1. What are the names of all municipalities which have applied for designation as surplus manpower areas up to and including June 30, 1961, and in each case what was the size of the labour force?
2. What are the names of all municipalities which have been accepted as surplus manpower areas up to and including June 30, 1961?
3. What percentage of months between May and November between 1953 and 1960 did all the areas in the answer to question 1 have surplus manpower available?
4. In which of the areas found in the answer to question 1 have the industrial employment conditions generally deteriorated since 1953?
5. How many industries within municipalities designated as surplus manpower areas are at present receiving double depreciation allowance?

Answer by: **Hon. Michael Starr (Minister of Labour):**

1. The names of the areas and localities that have applied for designation under the special capital cost allowances program are as follows:

Alberta: Drumheller.

Manitoba: Carberry.

Ontario: Cornwall, Morrisburg, Elliot Lake, Fort William, Windsor, Essex county.

Quebec: Chandler, Jacques Cartier, Louiseville, Matane, New Richmond, Richmond, St. Jerome, Tracy.

New Brunswick: Campbellton, Dalhousie, Shippegan, County of Gloucester, Chatham, Newcastle, County of Northumberland, County of Saint John, Grand Falls, Milltown, Moncton, Dieppe, Port Elgin, Sackville, Sussex, County of Westmorland, Woodstock.

Nova Scotia: Amherst, Louisbourg, New Glasgow, County of Antigonish, Trenton, Pictou, County of Guysborough, Springhill, Yarmouth, District of Yarmouth, County of Cape Breton, Mahone Bay.

Estimates of the labour force of 16 areas and localities for which investigation has been completed are as follows:

Cornwall, Ont. N.E.S. area, 32,100; Elliot Lake, Ont. N.E.S. area, 5,500; Windsor, Ont. N.E.S. area, 96,100; Amherst, N.S. N.E.S. area, 5,100; New Glasgow, N.S. N.E.S. area, 22,300; Springhill, N.S. N.E.S. area, 6,900; Milltown, N.B., 700; Grand Falls-St. Leonard, 4,500; Richmond, Quebec, 1,200; St. Jerome, Quebec, N.E.S. area, 7,200; Jacques-Cartier, 15,400; Chandler, Quebec N.E.S. area, 8,000; District of Yarmouth, N.S., 1,900; Yarmouth, N.S., 2,300.

Estimates of the labour force in other areas and localities that have applied for designation are not available until the investigations of the Department of Labour are completed.

2. The following national employment service office areas have been designated under the special capital cost allowances program:

Cornwall, Ont. (includes Morrisburg), Elliot Lake, Ontario, Windsor, Ontario (includes part of Essex county), Amherst, N.S., New Glasgow, N.S. (includes Pictou, Trenton and all remaining parts of counties of Antigonish and Guysborough), Springhill, N.S.

The following localities have been designated under the special capital cost allowances program:

Milltown, New Brunswick, Grand Falls-St. Leonard, New Brunswick.

3. A record of labour market classifications for the period 1953-60 is available for areas served by local offices of the national employment service, but not for particular municipalities or counties. For municipalities and counties that have applied for designation under the program, the corresponding N.E.S. offices, and the percentage of the 48 months May to October 1953-60 that these N.E.S. areas were classified in a surplus labour market category are as follows:

Municipality or county	National employment service local office area	Months classified in a surplus labour market category as a percentage of total
Cornwall, Morrisburg	Cornwall	83
Elliot Lake	Elliot Lake	50(1)
Fort William	Fort William	21
Windsor, Essex county	Windsor	88
Drumheller	Drumheller	8
Carberry	Brandon	2
Chandler	Chandler	42
Jacques Cartier	Montreal	35
Louiseville	Louiseville	88

(1) Covers the period May to October, 1959 and 1960.

Municipality or county	National employment service local office area	Months classified in a surplus labour market category as a percentage of total
Matane	Matane	40
New Richmond	New Richmond	60
Richmond	Sherbrooke	69
St. Jerome	St. Jerome	50
Tracy	Sorel	62
Campbellton, Dalhousie	Campbellton	71
County of Gloucester, Shippegan	Bathurst	52
County of Northumberland, Chatham, Newcastle	Newcastle	88
County of Saint John	Saint John	90
Grand Falls	Edmundston	25
Milltown	St. Stephen	75
Moncton, Dieppe, Port Elgin, Sackville, County of Westmorland	Moncton	71
Sussex	Sussex	40
Woodstock	Woodstock	42
Amherst	Amherst	75
District of Yarmouth, Yarmouth	Yarmouth	27
County of Cape Breton, Louisbourg	Sydney	69
New Glasgow, Antigonish county, Trenton, Pictou, Guysborough county	New Glasgow	83
Springhill	Springhill	60
Mahone Bay	Bridgewater	29

4. In 16 areas and localities for which investigations have been completed, it was found that employment conditions had generally deteriorated over the period 1953-60 in Cornwall, Windsor, Grand Falls, Milltown, Amherst, New Glasgow, Springhill, Jacques-Cartier and St. Jerome. No employment statistics are available for Elliot Lake prior to 1958. Since that date employment has generally deteriorated.

Employment trends in other areas and localities that have applied for designation are not available until the investigations of the Department of Labour are completed.

5. No firms are receiving double depreciation allowances at present. Applications from firms intending to produce new products in designated areas are being reviewed by the Department of Trade and Commerce.

LETTER BOX INSTALLATIONS, MONTREAL ISLAND

Question No. 285—**Mr. Denis:**

In each of the counties on the island of Montreal, how many new letter boxes have been installed since January 1, 1958, made of (a) metal (b) plastic (c) any other material?

Answer by: **Hon. W. M. Hamilton (Postmaster General):**

	Metal	Plastic	Other material
Jacques Cartier—La Salle	128	1	Nil
Notre Dame de Grace	23	1	"
Papineau	7	Nil	"
Mercier	91	"	"
Outremont—St. Jean	16	"	"
Maisonneuve—Rosemont	23	"	"
St. Laurent—St. George	23	"	"
Laval	79	"	"
Mont Royal	56	"	"
Hochelaga	9	"	"
St. Antoine—Westmount	17	1	"
Dollard	51	Nil	"
St. Denis	13	"	"
Ste. Anne	11	"	"
St. Jacques	4	"	"
St. Henri	9	"	"
Ste. Marie	7	"	"
Lafontaine	5	"	"
Cartier	1	"	"
Verdun	2	"	"
Laurier	2	"	"
TOTAL	577	3	Nil

HOUSE OF COMMONS

Thursday, July 13, 1961

The house met at 11 a.m.

HOUSE OF COMMONS

MOTION FOR CONCURRENCE IN CIVIL SERVICE REPORT

Hon. Gordon Churchill (for Mr. Fleming, Eglinton) moved:

That the report of the civil service commission, concerning certain employees of the House of Commons, laid upon the table by Mr. Speaker on June 29, 1961, be now approved.

Motion agreed to.

HOUSE OF COMMONS

PRESENCE IN GALLERY OF MEMBERS OF NIGERIAN GOVERNMENT

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, I trust the house will allow me to make reference to the fact that in the gallery there are present today members of the Nigerian trade and economic mission composed of Hon. Chief F. S. Okotie-Eboh, the Nigerian minister of finance, Hon. Z. B. Dipcharima, minister of commerce and industry, Hon. J. C. Obande, acting minister of works, and ministers from the three regions of Nigeria who represent their country on this mission.

Nigeria is one of the greatest of commonwealth countries, having newly achieved its autonomy. The Prime Minister of Nigeria at the last prime ministers' conference revealed something of the great capacity and ability and power of leadership that are his. Nigeria is a bulwark for the commonwealth. I am sure the house will join in extending the warmest welcome to these representatives. Through the chief, the minister of finance, we convey to the people of Nigeria the warm affection of the people of Canada.

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, I should like to be permitted to associate our party with the words of welcome the Prime Minister has extended to our distinguished guests from Nigeria. We welcome them not only for themselves but because they represent a great new independent African state with which we are privileged to work in close co-operation as fellow members of our commonwealth of nations.

Mr. Hazen Argue (Assiniboia): Mr. Speaker, I am happy to associate the members of this group with the words of the Prime Minister and the Leader of the Opposition in welcoming the distinguished and colourfully attired delegation from Nigeria. I do not think any delegation coming to the House of Commons has received a warmer welcome than this delegation has received this morning. Nigeria, of course, represents a new sovereign nation amongst the nations of the world, and I think represents in a very real way the future of the world in that it represents emerging nations. It demonstrates the basic and underlying strength of the commonwealth. I am confident that in the future our relations with Nigeria will be strong and close in every respect.

TRADE

EUROPEAN COMMON MARKET—MISSION TO DISCUSS ENTRY BY U.K.

On the orders of the day:

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, I should like to ask the Prime Minister whether he is in a position to give the house at least an interim report on the conversations with the secretary of state for Commonwealth Relations of the United Kingdom.

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, there have been preliminary discussions between the Secretary of State for External Affairs and Right Hon. Duncan Sandys. These conversations will continue today between four ministers of the government representing Canada and Mr. Sandys, and at the conclusion a report will be given to the house. What I could give at the moment would not be helpful, for there has just been the beginning of discussions which are going to continue for a day or more.

FINANCE

INTERNATIONAL MONETARY FUND—STATEMENT ON CRITICISM OF GOVERNMENT ACTION

On the orders of the day:

Right Hon. J. G. Diefenbaker (Prime Minister): While I am on my feet, Mr. Speaker, may I reply to a question asked yesterday by the hon. member for Leeds which reads as follows:

I wish to direct a question to the Prime Minister and ask whether the government has received any

communications since June 20, 1961 from representatives of the international monetary fund criticizing or questioning this government's action in forcing down the exchange rate?

I would say that no communication has been received by the Minister of Finance or by myself.

TRANS-CANADA AIR LINES

REQUEST FOR REPORT ON LABOUR DISPUTE

On the orders of the day:

Mr. Hazen Argue (Assiniboia): Mr. Speaker, I wonder whether I might ask the Minister of Labour whether he has now received a telegram from Robert Smeale, the business manager for C.A.L.F.A.A. and whether or not he has any comment to make on the charges made in that telegram?

Hon. Michael Starr (Minister of Labour): Yes, Mr. Speaker. I have received a telegram from Mr. Smeale and I have replied to his telegram as follows:

Retel eleventh industrial relations and disputes investigation act provides for the making of complaints alleging unfair labour practices in the form prescribed by section ten of regulations under act. All such complaints received in department undergo prescribed procedure. However it was understanding of my officer, following your protest of May twenty-eighth, that it was not your intention to proceed further. While filing of complaint is completely within your discretion I would suggest that parties are following most constructive course in attempting to settle dispute concerning wages and working conditions.

Mr. Argue: Mr. Speaker, I wonder whether the minister has anything to report on any developments in this dispute, and whether he thinks there is a real possibility of a settlement.

Mr. Starr: Mr. Speaker, I have been advised by Mr. Remi Duquette, the chief Montreal officer of my department, that the meetings between the parties that have been going on for some days have been now adjourned and that both parties have agreed to meet with him again on Tuesday, July 18 at 10.30 a.m. The adjournment was for the purpose of allowing both parties to review the situation as it now stands. Mr. Duquette has said that although talks have not been conclusive, they are encouraging.

(Translation):

LABOUR CONDITIONS

DORVAL AIRPORT—AWARDING OF CONTRACT TO U.S. FIRM

On the orders of the day:

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, last Tuesday the hon. member for Maisonneuve-Rosemont (Mr. Deschatelets) asked me the following question:

[Mr. Diefenbaker.]

Is the minister aware that several hundred employees will be laid off at Dorval as a result of the granting of a lubrication service contract to an American firm?

The answer is as follows. On July 1, an aircraft fuel feeding pipe system was inaugurated at Dorval. That service is operated by a Canadian company, the Consolidated Refuelling and Services Limited, which is incorporated in Canada and controlled by Canadians. The inauguration of that system has brought about a reduction in the number of tank car operators employed by the various fuel companies at Montreal's international airport. However, we understand that the employees in question have either joined the staff of Consolidated Refuelling and Services Limited or have been given other positions by the companies for which they work.

(Text):

TRANSPORT

CHIGNECTO CANAL—REQUEST FOR REPORT ON FEASIBILITY STUDY

On the orders of the day:

Mr. G. R. McWilliam (Northumberland-Miramichi): Mr. Speaker, I wish to direct a question to the Minister of Public Works. Has the minister yet received a report on the construction of the proposed Chignecto canal?

Hon. D. J. Walker (Minister of Public Works): No, Mr. Speaker.

P.E.I. CAUSEWAY—REQUEST FOR REPORT ON FEASIBILITY STUDY

On the orders of the day:

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, could I ask the Minister of Public Works whether he has yet received a report on the feasibility of the Prince Edward Island causeway?

Hon. D. J. Walker (Minister of Public Works): Mr. Speaker, when I receive a final report on either one of the studies I will be very happy to inform the house.

MONTREAL-GEORGIAN BAY CANAL—REQUEST FOR REPORT ON FEASIBILITY STUDY

On the orders of the day:

Mr. J. R. Garland (Nipissing): Mr. Speaker, I should like to direct a question to the Minister of Transport. Can the minister say whether the interdepartmental study authorized several months ago by him to restudy the studies made in earlier years regarding the engineering and the economic feasibility of

the Montreal-Georgian bay canal has been completed, and can he make any comment at this time?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, the study has not been completed as yet.

Mr. Garland: Can the minister say when he expects the study will be completed?

Mr. Balcer: Mr. Speaker, I shall have to inquire into the situation thoroughly before answering that question.

CIVIL DEFENCE

EXERCISE "TOCSIN"—PROCLAMATION UNDER GREAT SEAL

On the orders of the day:

Miss Judy V. LaMarsh (Niagara Falls): Mr. Speaker, I should like to direct a question to the Minister of Justice which arises out of a statement by the clerk of the privy council with reference to the recent exercise Tocsin, that it took about 23 minutes from the time the Prime Minister received a warning from the chiefs of staff until the proclamation under the War Measures Act was sealed by the Great Seal. I wish to ask the minister whether in fact the War Measures Act had been declared to be in force, under the provisions of the act?

Hon. E. D. Fulton (Minister of Justice): Mr. Speaker, as I understand it this was an exercise and the remarks of the clerk of the privy council must be taken in that light, that a hypothetical sealing of the proclamation was carried out.

PUBLIC SERVICE

PART TIME EMPLOYEES—REPORTED OFFER OF SICK LEAVE AND HOLIDAYS

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, I wish to direct a question to the Secretary of State. In view of the minister's statement in the house on July 11 that the civil service commission has followed the policy of granting regular leave to full time civil servants only, would the minister care to comment on the fact that as far back as ten years ago the civil service commission advertised positions for part time stenographers in the Ottawa papers and offered sick leave and holiday benefits?

Hon. Noel Dorion (Secretary of State): Mr. Speaker, I thank the hon. member for Kootenay West for sending me a copy of his question. Unfortunately I received it only a few minutes before the opening of the house, so I will take his question as notice and will answer it as soon as possible.

Inquiries of the Ministry

UNEMPLOYMENT INSURANCE

WITHHOLDING OF BENEFITS DUE TO ABSENCE FROM AREA

On the orders of the day:

Miss Judy V. LaMarsh (Niagara Falls): Mr. Speaker, I should like to direct a question to the Minister of Labour. The minister will recall that there were some 13 individuals who had come to Ottawa in the march of the unemployed and who lost their benefits for that day. They subsequently appealed this, and the appeal was turned down by a split vote.

I have now received a letter informing me that on June 20 last these 13 claimants were advised that their further appeal had been referred to Ottawa for disposition by an umpire and they would be advised of the date and time of this hearing. I should like to ask the minister whether he can inform the house the reason for such unwarranted delay.

Hon. Michael Starr (Minister of Labour): Mr. Speaker, this matter lies within the jurisdiction of the umpire to whom appeals are made. He has the final decision in these matters. I must advise the hon. member that I have no jurisdiction over his activities or how he handles these cases.

BUSINESS OF THE HOUSE

UNEMPLOYMENT INSURANCE ACT—INQUIRY AS TO REVISION THIS SESSION

On the orders of the day:

Hon. Paul Martin (Essex East): A supplementary question. Would the minister say whether it is a fact that the government has now decided not to bring in amendments to the Unemployment Insurance Act this session?

Hon. Michael Starr (Minister of Labour): No decision has been made. When a decision has been made, the course to be followed by the government will be announced.

Mr. Martin (Essex East): The minister says no decision has been made. How then does he explain the announcement in the speech from the throne that the government was going to bring in an enactment amending the Unemployment Insurance Act?

Mr. Starr: As I said earlier, no decision on this matter has been made. When a decision is made there will be a policy announced by the government as to the course which will be followed.

Mr. Martin (Essex East): Then the announcement in the speech from the throne means nothing.

Inquiries of the Ministry

INTRODUCTION OF AMENDMENTS TO IMMIGRATION ACT

On the orders of the day:

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, I should like to ask the Minister of Citizenship and Immigration whether it is the intention of the hon. lady before this session is concluded to introduce the revisions to the Immigration Act which were forecast in the speech from the throne, and whether a firm decision had been made by the government to do so before the speech from the throne was read.

Hon. Ellen L. Fairclough (Minister of Citizenship and Immigration): Mr. Speaker, it is the intention of the government to introduce these revisions at the earliest possible moment. We are still working on them. I cannot indicate the time or date when they will be brought forward, but it certainly is our intention to bring them forward.

Mr. Pickersgill: Mr. Speaker, I wonder whether I may ask the hon. lady a supplementary question. Does the hon. lady consider that these amendments have the same urgency which she and her colleagues thought they had in 1957?

Mrs. Fairclough: Mr. Speaker, in answering the hon. member I think I should draw attention to the comment I made some time ago, to the effect that many of the welfare organizations and immigrant aid services in Canada have asked us to go slowly in this regard in order to give them an opportunity of thoroughly studying the situation themselves.

REQUEST FOR LIST OF OUTSTANDING RETURNS

On the orders of the day:

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, I should like to ask the Secretary of State whether he can now give a progress report to the house in respect to the formidable task he undertook the other day of compiling a list of the returns ordered by this house which have not yet been complied with.

Hon. Noel Dorion (Secretary of State): Mr. Speaker, I believe we have already produced a partial list. We are progressing and will try to compile the rest of the returns as soon as possible.

HISTORIC SITES AND MONUMENTS

LONG SAULT RAPIDS—PRESERVATION OF REPORTED BATTLE SITE

On the orders of the day:

Mr. H. W. Herridge (Kootenay West): I wish to direct a question to the Minister of Northern Affairs and National Resources. My question is prompted by a lady corespondent—

Some hon. Members: Oh, oh.

Mr. Herridge: —correspondent. In view of the historic interest of the site where Dollard des Ormeaux defended Montreal, located at the foot of the Long Sault rapids just east of Hawkesbury on what is known as the old Ross farm, and in view of the fact this site will soon be lost by flooding due to the Quebec hydro project under way at Carillon, would the minister indicate what representations have been made to the Quebec government or Quebec hydro to have this site protected from inundation?

Hon. W. G. Dinsdale (Minister of Northern Affairs and National Resources): I am grateful to the hon. member for having given me notice of this question, which involves considerable research. I wish I were as sure as he that the Ross farm site is in fact the site where Dollard des Ormeaux is said to have fought so heroically the battle of the Long Sault. This is one of the most stirring pages in Canadian history, and if it were possible to bring this page to life once again through a positive identification of the actual site, I assure the hon. member that I would want to explore all possible ways to preserve it as a part of our national historic heritage.

The fact is, Mr. Speaker, that at best the Ross farm site can only be said to be one of a number of possible locations where the battle may have taken place. A large body of archaeological opinion favours the Carillon site as the actual location. Historians support the viewpoint that Dollard's last stand took place at the western end of the lac des Deux Montagnes.

Mr. Thomas Lee has done some thorough archaeological investigation of the Ross farm site. The evidence unearthed is extremely interesting from a general archaeological standpoint. However, the artifacts located there do not go back beyond the early nineteenth century and indicate that the site in all likelihood was a portage encampment, one of the several portages on this reach of the Ottawa river.

This background information has been made available to both the Ontario and Quebec governments. However, in view of the inconclusive evidence I feel I have no justifiable grounds to attempt to delay the progress of the Carillon dam construction project through representations to the government of Quebec or the Quebec hydro electric commission.

NEWFOUNDLAND—DETERMINATION OF POINT OF LANDING OF CABOT

On the orders of the day:

Hon. J. W. Pickersgill (Bonavista-Twillingate): Mr. Speaker, following the question asked by the hon. member for Kootenay West I should like to put a question to the Minister of Northern Affairs and National Resources. Amid the many other urgent discussions that he has had to undertake since he became minister, has he had time to determine the exact place of Cabot's landfall which is urgent, sir, because of the minister's forthcoming visit to Newfoundland?

Hon. W. G. Dinsdale (Minister of Northern Affairs and National Resources): Mr. Speaker, that is a question that I shall leave for continuing discussion among the academicians, and I think I can include the hon. member in that category.

Mr. Pickersgill: And the minister.

(Translation):

COPYRIGHTS

IMPLEMENTATION OF ROYAL COMMISSION REPORTS

On the orders of the day:

Miss Judy V. LaMarsh (Niagara Falls): I wish to direct a question to the Secretary of State.

Could the minister indicate to the house whether the government intends to take action this year on the recommendations put forward in the report of the Ilsley commission on copyrights, patents and trade marks, including the revision of existing legislation and the putting into force of the Universal Copyright Convention, something which was also recommended by the royal commission on publications?

Hon. Noel Dorion (Secretary of State): Mr. Speaker, first I should like to acknowledge the courtesy shown to me by the hon. member. Here is my reply. First, with regard to the Copyright Act and copyrights, the problem is under consideration and I trust that within a short time we shall be able to take a step towards the ratification of the international convention to which the hon. member has referred.

With regard to industrial design, we have a plan that is almost completed, and I hope to place it before the cabinet within a short time so as to implement the second recommendation of the Ilsley report.

With regard to the third recommendation, the matter is still under consideration and not much headway has been made. However, I think the hon. member will appreciate that this is a very important and very tricky matter. In any event, we are going ahead as quickly as possible.

CANADIAN NATIONAL RAILWAYS

INQUIRY AS TO PARTICIPATION IN TRUCKING INDUSTRY

On the orders of the day:

Mr. Robert Lafreniere (Quebec-Montmorency): Mr. Speaker, I should like to direct a question to the Minister of Transport. Is the minister aware of the intention of the C.N.R. to acquire trucking companies, which obviously would mean a dangerous competition for private enterprises?

Could the minister also tell us whether the government intends to take definite steps with regard to that matter?

Hon. Leon Balcer (Minister of Transport): Mr. Speaker, as I have already stated in this house, the board of directors of the C.N.R. is responsible for the administration of the company, and the government cannot interfere directly in administrative matters.

Like all major transportation concerns, the C.N.R. officials feel it would best serve the company's interest to diversify its methods of transportation.

As to the competition which some people may feel would be prejudicial to other transportation companies, this is a matter to be determined by the provincial transport board, which will have to decide whether to grant or refuse a transportation permit to the company concerned.

(Text):

INQUIRY AS TO APPOINTMENT OF PRESIDENT

On the orders of the day:

Hon. Paul Martin (Essex East): Mr. Speaker, I should like to ask the Prime Minister whether he is now in a position to announce the government's decision with regard to the presidency of the Canadian National Railways?

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, I have nothing to add to what has already been said.

Civil Service Act

OLD AGE SECURITY

REPORT OF DR. CLARK—INQUIRY AS TO GOVERNMENT STUDY

On the orders of the day:

Hon. L. B. Pearson (Leader of the Opposition): Mr. Speaker, I should like to ask the Minister of National Health and Welfare whether he has yet been able to complete his study of the Clark report.

Hon. J. W. Monteith (Minister of National Health and Welfare): No, Mr. Speaker, the study has not as yet been completed.

Hon. Paul Martin (Essex East): Mr. Speaker, I should like to ask a supplementary question. Could the minister now give us some indication as to when the study will be completed, and does he expect to have it ready by Labour day?

Mr. Monteith (Perth): Mr. Speaker, as soon as the government has anything to announce in this regard it will be made known to the house.

(Translation):

POST OFFICE DEPARTMENT

MONTREAL—INSTALLATION OF NEW PLASTIC MAILBOXES

On the orders of the day:

Mr. Azellus Denis (St. Denis): Mr. Speaker, may I put a question to the Postmaster General? In view of the fact that the minister boasted of having made an innovation installing plastic letter boxes, could he tell the house why is it that out of 580 new boxes installed on the island of Montreal since 1958, only three are plastic boxes while 577 are metal boxes of the old type?

(Text):

Hon. W. M. Hamilton (Postmaster General): Mr. Speaker, as the hon. member well knows, these were experimental types of boxes which were installed right across Canada in all major cities. As a result of the use of these boxes we have made certain changes in the design, and we hope to have a plastic letter box improved and styled again for test. Unlike some of the suggestions of the hon. member, we like to know where we are going and be sure of our ground before we spend public money.

Mr. Denis: I admit that you do not go very quickly.

CIVIL SERVICE ACT

The house resumed, from Wednesday, July 12, consideration in committee of Bill No. C-71, respecting the civil service of Canada —Mr. Fleming (Eglinton)—Mr. McCleave in the chair.

[Mr. Diefenbaker.]

On clause 1—*Short title.*

Mr. McIlraith: Mr. Chairman, when the committee adjourned yesterday I was speaking on clause 1. In reading *Hansard* this morning I note that part of my remarks, where I was referring to the 1918 act, are reported without any interruptions. I regret that the enrichment offered by way of interruption of those remarks by the hon. member for Greenwood is not recorded for posterity. My remarks had relation to certain interjections he was making, and it is regrettable that the interjections are not on record. However, perhaps he will put the substance of them on record later in this debate.

In the concluding part of my remarks I was dealing with the matter of bilingualism as it had been treated by the hon. member for Joliette-L'Assomption-Montcalm and the hon. member for St. Hyacinthe-Bagot. I had suggested to them that I thought their treatment of the subject was not as objective as the subject itself, a very important one, deserves, or as objective as the members of the special committee were in dealing with the matter.

The point I was seeking to make, with particular reference to the remarks of the hon. member for St. Hyacinthe-Bagot, was that he had confused references to the two languages or to bilingualism with racial or ethnic origin, which is not the point at issue. The special committee attempted to deal with the subject of the necessity in this country of in fact using two languages as required, and it accepted the proposition that the spirit of confederation on this point had to be honoured. That was the approach of the committee, and I thought it was a very good one.

In dealing with the matter the hon. member did not treat it in that way at all. He spoke about the ethnic origin of certain persons in the civil service. So far as I know the civil service commission has never been charged with the responsibility of ascertaining the ethnic origin of Canadians being employed by them, and I for one hope that will never be the basis of selection for the civil service of Canada but that the basis of selection will be merit and the test of citizenship or ethnic origin merely Canadianism.

In other words the only proposition I can accept on that subject is that once a person becomes a Canadian citizen he is a Canadian citizen with full rights, and there are no distinctions as among Canadian citizens. Perhaps it is a trite way of putting it, but I take the position that once we have citizenship no matter by what process, whether through naturalization or by birth, we are Canadians one and all and we must not be kept in separate categories by reason of

ethnic origin. For that reason I was seeking to make a critical reference to the hon. member's argument on the question of bilingualism.

If I understood his French correctly, and on this point I think I did, it seemed to me that he was referring to French Canadians much of the time instead of referring to the French language and the necessity for bilingualism. To me there is a very important distinction. If he merely used the terms interchangeably or carelessly I have no objection, but if he was seeking to use the terms deliberately to indicate that the civil service commission must seek to ascertain the ethnic origin of persons being selected for positions I would take objection to that and say that the test must remain bilingualism, that that test alone is the proper one and ethnic origin is not the test.

The subject is a large one and quite complex. The committee did have some rather good presentations made to it. Le conseil de la vie française made a presentation and I thought the discussion in the committee on the whole subject was very good. I also want to point out one other weakness in their case. They took certain segments of the civil service and tried to make a statistical approach to the numbers who are bilingual in given branches. The weakness of that should be readily apparent. If you take a small branch you can come up with statistics that will show that practically all speak one or the other of the two languages.

It must be acknowledged that the necessity for the two languages is greater in some parts of the country than in others. There are problems like that. The point I wish to make is that if the statistical approach is to be used, the over-all picture must be considered. They should not select one branch or another. When that is done problems arise. You may be dealing with technical subjects in relation to which the educational system throughout the country is such that applicants from one part of Canada would seem to enjoy preference because their educational qualifications better suit them for certain positions.

This problem is interrelated with the whole question of education and training. I hope we can develop a solution to the problem on a broad scale. I hope the development of the solution will take full cognizance of the need for encouraging educational institutions in various parts of the country to provide the type of education that will better qualify applicants for some positions. I believe all hon. members would agree there is need for more and better training in the field of public administration as well as in the technical and scientific fields, and that this has a bearing on the number of bilingual persons employed through the civil service in any particular branch. That is all I shall say on that subject for the moment.

Mr. Ricard: Mr. Chairman, before the hon. member passes to another subject, would he indicate at what page I may find the reference to the remarks he attributed to me a while ago.

Mr. McIlraith: I listened to the hon. member's speech very carefully. I have not marked my *Hansard* because I did not receive it in time to peruse it.

Mr. Ricard: I rise only to point out that the hon. member appears to be confusing me with the hon. member for Joliette-L'Assomption-Montcalm. I think the hon. gentleman has attributed to me words used by the hon. member for Joliette-L'Assomption-Montcalm, words which I have not uttered in this chamber.

Mr. McIlraith: I am quite satisfied to accept the hon. member's explanation in toto. If I have in any way attributed to him words he did not utter I completely withdraw my reference. The hon. member for Joliette-L'Assomption-Montcalm, when speaking, did raise the question in my mind. It may have been merely a careless reference on his part or it may have been intentional. The point is that if it was an intentional reference I wished to direct attention to the approach I feel should be taken in this matter. I wished to reveal my views on the point. I believe it is an important point in the long term, because it is related to a continuing situation and is dependent upon many factors, one of which is education.

The hon. member for Edmonton-Strathcona delivered a speech in which he seemed to indicate that he desired more direct ministerial control of the civil service. I was unable to gather how far he wanted to go in this respect. I regret that the hon. gentleman is not here to hear my remarks on this point. His comments were certainly capable of giving rise to the interpretation I mention. He appeared to be pressing for more direct patronage influence in appointments. If he did not mean that, I have no desire to insist on placing that interpretation on his remarks. On the other hand, if he did mean it I wish to point out to him that the original Civil Service Act attempted to get away from that sort of thing. I think it is the desire of most hon. members in all quarters of the house to continue to avoid controls of that nature. If I am correct in interpreting the hon. gentleman's remarks as representing a plea to return to that condition, I would

expect that hon. members on both sides of the house would not desire to support the hon. member's position.

There are many references in the bill to matters of major importance with which one is tempted to deal. One of the most important is that of the relationship between the government and staff organizations in the civil service. This represents a difficult and complex problem with which we shall deal in a detailed way when we consider clause 7.

Clause 7 as sent to the special committee was in my view inadequate. The committee was successful in having an amendment inserted, and the bill as it now appears before us is considerably improved over the bill that was sent to the committee in so far as the question of staff consultations is concerned. A long argument could be developed concerning whether or not the procedure for staff consultations is adequate. I do not like the word consult in that context, because I think it is imprecise and inadequate. I shall argue that point a little later.

Clause 10 relates to the subject of pay and allowances. This clause together with clause 7 raises the old question of the rights of civil service bodies to negotiate, to engage in arbitration and other related rights which may be discussed on the specific clauses. Another matter that is raised is this. Once this bill becomes law I feel it should be reviewed from time to time by a committee of this house. When I say "from time to time" I mean reasonably frequently because we are, through the growth of the civil service, moving into a period when the concepts of the civil service and of arbitration are changing. I am not wholly satisfied with the clauses as they now exist in the bill, and wish to see how they operate. I am grateful to the extent that they modernize the act, but I wish to see them examined and kept under constant review. If the government continues to have responsibility in this field, which I expect it will not in the light of forthcoming events, I hope the question of pay and allowances will be kept under constant review. Government needs to be ever watchful of the independence of the civil service commission.

Mr. Bell (Carleton): Mr. Chairman, before the hon. member departs from that point would he be good enough to indicate how frequently he thinks review should be made? The hon. gentleman has raised an interesting point. I am sure it would be useful if on the basis of the hon. gentleman's experience he would indicate to the committee how frequently review should be made. Would the hon. gentleman suggest that it should take place every five or ten years?

[Mr. McIlraith.]

Mr. McIlraith: I do not think it would be proper to give a dogmatic answer to that question in terms of a precise number of years. In a period when the cost of living is increasing and salaries reflect those increases, the question of pay and allowances becomes of acute interest and requires review more frequently than in a period when the cost of living is static and pay and allowances do not constitute an acute problem. If government is careful in its relationships with the civil service the need of review is not as urgent as it is when government is careless in those relationships. In any event, I am not talking about an annual review. I also think ten years would be much too long a time.

Mr. Bell (Carleton): We are talking about a review of the act.

Mr. McIlraith: If the hon. member wants to crowd me into a somewhat dogmatic answer, I would say that probably three to five years might be the period of time.

Mr. Bell (Carleton): We are not talking about review of pay and allowances.

Mr. McIlraith: No; review of the act.

Mr. Bell (Carleton): We are talking about review of the act and procedures in the act.

Mr. McIlraith: It was a review of the act I was talking about. I picked out the pay and allowances matter only as an illustration of the type of subject that could be important.

Mr. Bell (Carleton): Quite so.

Mr. McIlraith: I want to make that clear; it is review of this whole act. The clause of the Heeney report I wanted to read is this. By the way, I should at this point make it clear that the Heeney commission was a commission or process started by the former government and continued by this government. In debate yesterday there seemed to be some confusion on that point, but I think there is nothing at issue on it.

Paragraph 61 on page 23 of that report of the civil service commission of Canada on personnel administration in the public service reads as follows:

> Although it is not, perhaps, widely appreciated, it seems to us that the independent status of the commission in matters of pay and conditions of work is as important a characteristic of our system as its independence in relation to appointment and promotion. In its recommendations on pay, the commission is no more subject to government direction than it is to influence by organized employees. It is as immune to outside pressures as the law can make it. Its sole duty is to reach, within the framework of accepted principles, conclusions based on objective examination and analysis through its pay research bureau and such other sources as may be available to it.

What I wanted to point out here was the need for constant vigilance in order to see that this condition continues. This is a very important matter. I do not wish to rethresh old straw, but I had a difference of opinion with the Minister of Finance having to do with this very subject. Regrettably we did not have an opportunity of debating that matter fully because of the form in which the matter came before the house. However, I thought he was less objective or less vigilant than I would have wished him to be in his appreciation of the necessity for preserving the independence of the civil service commission on this point and related points.

Holding that view, I wish to stress again the necessity for continuing and continuous vigilance to preserve the independence of the civil service commission in its work. If we do not do that; if it becomes a mere agency of government as opposed to an independent commission with its independent guarantee in its performance of the duties with respect to the public service which it is created to perform, then we will have indeed indirectly undone the very thing we are seeking to do and to continue by this legislation.

There is another point of considerable importance that I wish to mention. Of necessity the authority of deputy ministers has been increased. My colleague the hon. member for Ottawa East yesterday put on record the dangers arising from patronage within the service. While we have in this bill increased the powers of deputy ministers and deputy heads of departments, I am not convinced that we have come up with a wholly satisfactory solution by way of appeal procedures to protect all civil servants against improper use of that power. In setting up appeal procedures and methods of protecting individual civil servants against the abuse of that power it is very easy to get a cumbersome kind of system that will impede the work being done and the internal efficiency of administering the service. There is presented a complex problem which I recognize at once.

On that point I am not satisfied that the bill as presented embodies a wholly happy conclusion. I shall therefore content myself now with asking for continued vigilance on the part of all members of the House of Commons to see that, if administration of the act reveals the necessity for a strengthening of the appeal, arbitration and related procedures in relation to this subject, the bill is brought back to this house or forced back to this house and the necessary action taken. From my point of view I thought our solutions were not quite as adequate as they should have been, and there is considerable doubt and uncertainty in my own mind as to just what the future holds in that respect. I hope my fears in this connection will never be realized but will be proved wrong. None the less, I would be less than frank if I did not say that they were there. I observe that my time has expired, Mr. Chairman.

Mr. Bell (Carleton): Go ahead.

Mr. McIlraith: There are some other remarks that perhaps could be made.

The Acting Chairman (Mr. McCleave): The hon. member's time has now expired. Is it the pleasure of the committee to give further time to the hon. member?

Some hon. Members: Agreed.

Mr. McIlraith: I do not wish to abuse the good nature of the committee on this question of using more time than is provided by the rules. However, I have a few more remarks to make and I will try to abbreviate them.

There is the question of holidays. Changes had to be made for two main reasons. There are new problems in this field. The new problems arise out of the universal acceptance of the five day week since the original act was passed. It seems to me that a great many members of the committee failed to realize that the five day week, as a universally accepted proposition, is really in the final analysis comparatively new in relation to the 42-year history of the former act. It is something that has developed only since the end of the war and really in the last very few years. That consideration presents new problems in drafting legislation on the subject of holidays.

Then there is another problem that has arisen in connection with holidays. I refer to the very swift expansion of the civil service, particularly during the second great war. The civil service has gone into activities which, by their very nature, involve shift work and work of that nature other than office work to a far greater extent than was the case at the time of the 1918 act. Those two changes, with the effluxion of time, have created problems in relation to holidays for the different segments of the public service of Canada. When you are dealing with administrative staff and office staff it is quite a simple problem, but it can become a very complex problem where you are dealing with shift work, overtime pay and other related facets of the subject.

I am not sure that our committee came up with an adequate solution of that problem. I hope that again the commission under the regulations will be able to work out something that is satisfactory. We had some reference to this problem in the House of Commons in connection with the Post Office Department. I put a question to the Postmaster

General in relation to the July 1 holiday, which happened to fall on a Saturday this year. I thought his answer was less than adequate or satisfactory in dealing with that matter. It points up the need for a thorough job of work to be done by the commisison in working out the kind of regulations that will grant the holidays that are in accordance with our modern ideas on this matter of employees having to work overtime hours on holidays and allow them the necessary overtime pay or compensatory leave. It is a complex problem and there is perhaps no point in pursuing it further at this moment, other than to indicate that in my view the committee did not by any means reach a wholly complete or satisfactory answer on the subject. I hope the commission may succeed, through regulations and application of the legislation, in doing what the legislation itself may have failed to do.

There is one other major problem with which I think I should deal. It arises under one clause of the bill only but it does have general application to the whole civil service. I refer to the provision in the legislation having to do with the appointment to the civil service of ministers' secretaries and executive assistants. The bill contains a clause that as far as I am concerned is quite unsatisfactory. I want to deal with it here only in its relationship to the general problems of civil service administration. I will have further remarks to make on the subject when we come to the particular clause.

Under the bill as now resubmitted to the house, ministers' secretaries and executive assistants are eligible for appointment to the civil service after three years' service. The former legislation provided only for secretaries. I have no objection to enlarging that provision to provide for both private secretaries and executive assistants, but I must issue a warning on this one point. I think experience and an objective examination of this subject will back me up.

It now becomes possible for a government through this back door method, if I may use the term, to place some 40 new civil servants in the public service of Canada each year after the government has been in office three years. I think there has not been a sufficient realization of the significance of this provision. It does not take many appointments of this kind to lower the morale in a particular department, because they interfere with the expectancy of promotion. If this power were to be used as is provided in the bill before us, it could indeed do much to destroy morale in the civil service. The point—

Mr. Macdonnell: May I ask the hon. member a question?

[Mr. McIlraith.]

Mr. McIlraith: Perhaps the hon. member would just bear with me for a moment. The existing legislation has one limitation in this regard. This is not a precise way of expressing the limitation, but it is that when a minister leaves the department or dies—

Mr. Bell (Carleton): There is no limitation now on the number of people.

Mr. McIlraith: There is no limitation on the number of people, but in the existing legislation it is limited to one secretary—and if I may use this term, that cuts it in half—when a minister leaves a department.

Mr. Bell (Carleton): No.

Mr. McIlraith: I will be coming to the precise terms of the act in a moment. I have the act here. My point refers to this removal of any limitation on the right to appoint those persons. I think it is important that those persons have the right to be appointed. However, I think that right should be subject to a further limitation, something in the nature of the death of a minister, a minister leaving a portfolio or leaving the government, something of that sort, so it would not be possible to have a continuing flow of ministers' secretaries and executive assistants from a particular minister in charge of a particular portfolio into this channel.

I am open to suggestion on the form of that limitation, but I think there should be a limitation in the clause of the bill similar to the former one; otherwise it could be very harmful to the morale of the civil service and much damage could be done to the civil service by this clause as it now stands.

The hon. member for Greenwood had a question he wished to ask me on the point, and I am afraid I cut him off.

Mr. Macdonnell: My question was just this. Is the figure of 40 used by the hon. member a theoretical figure, or is it an actual, realistic figure? Does that not imply that people holding these positions are going to be resigning year by year by year? It is just the figure of 40 that I wish to understand.

Mr. McIlraith: It is only a round figure. There are 22 cabinet ministers and the Leader of the Opposition, making 23 in all. The number could be 46 right now.

Mr. Bell (Carleton): After three years.

Mr. McIlraith: Yes, but the government has been in office three years now. There could be 46 of these persons at the moment, and immediately this bill is passed—

Mr. Macdonnell: No.

Mr. McIlraith: Would the hon. member hear me out, please. If I am correct in the

number of cabinet ministers, 46 of these appointments could be made the day after this bill becomes law. Then you could repeat that process—

Mr. Bell (Carleton): It is after three years.

Mr. McIlraith: I wish to differ with the hon. member for Carleton. I was trying to avoid dealing with this difference at this stage; I would rather do it on the clause. The difference turns on interpretation. The difference between the hon. member for Carleton and myself is this. The hon. member for Carleton says this could only happen each three years. I differ in my opinion on that. I say it could happen more frequently; I say it could happen every year. In any event, even if the hon. member is right my point is still the same if this could happen every three years.

For the purpose of answering the question asked by the hon. member for Greenwood I wonder whether I could take an illustration. I see the Minister of Citizenship and Immigration is in her seat, and I am sure the charming lady would not mind if I used her for the purpose of illustrating this point. Immediately this bill became law she could have two persons put into her department under this provision. I presume they would be appointed to her department. That is a reasonable assumption based on past experience. She could have two persons appointed. That is a proper thing from the point of view of those persons and I do not quarrel with that. However, we must realize that it does interfere with the expectancy of promotion within the department.

Of course if the minister were moving to another portfolio, if she were moving to the other place or leaving the government for one reason or another, these private secretaries and executive assistants would be left in a very awkward position after devoted service in the public service of Canada. I wish to make it very clear that I have no objection to them being appointed in those circumstances, but if this method were used by the minister—and I do not suggest she would have any such motive—as a means of putting persons into her department, it could be quite badly abused and could destroy the morale of the department or be very harmful to it.

I do not know how many executive assistants the minister has, but she could have more than one. I wish to point out that the legislation does not restrict her; there is no statutory restriction on the number of private secretaries she may have, as I read the whole of the legislation. That comes to the nub of the difference in point of view between the hon. member for Carleton and myself. If the minister has more than one private secretary, she could keep this process going indefinitely. If she has only one, of course she would have to appoint another person, and she could only repeat the process every three years. But even that would be a very severe thing. Suppose she were minister for six years. She might have put four persons into the department, and that could be a very severe blow to the morale of the department. As a matter of fact the hon. lady might take the case of the previous government, which was in office for about 22 years. Even accepting the argument used by the hon. member for Carleton it can be seen that some ministers could have appointed 14 persons to the department. In my view there is no doubt that this would have totally destroyed morale in the department, because it would have removed the expectancy of promotion on the part of departmental employees.

So this is a point which is of major importance to the whole subject, an importance which it is perhaps not appreciated by some hon. members. I do not hesitate to say it should be dealt with when we come to the clause concerned and that some restriction should be placed on this right to appoint. It should at least be made dependent on the minister leaving his portfolio, or leaving the ministry.

Mrs. Fairclough: Does the hon. member not agree with me that the phrase "for which he is qualified" would have an effect on this procedure?

Mr. McIlraith: No. It has a very limited effect. It is not a significant protection. That means he is coming in from outside the department. Let us assume, for the sake of argument, that we have a person within the department besides the minister's appointee, and that they are both equally qualified. The effect of placing the minister's secretary in the department removes the expectancy of promotion from the one already in the department who may have had every right to expect a promotion.

So this right to appoint ministers' secretaries is something which must be carefully used or it could be very harmful. The bill as it is submitted to us and as it is now before the committee, has removed some of the restrictions which were formerly part of the law on this point. I am not recommending that we should return to the precise wording of the former legislation, because the former legislation is too narrow in that the right was restricted to the appointment of one person.

Mr. Bell (Carleton): No. The hon. gentleman has said on a number of occasions that the former legislation restricted such appointments to one. But he is, of course, aware of

the ruling of the Department of Justice which indicated that the expression "private secretary" included associate private secretaries and assistant private secretaries. The net result was that there was no restriction in the old legislation on the number of persons from a minister's office who could enter the civil service through that channel.

Mr. McIlraith: Yes. I think the hon. member for Carleton will agree with me that what is attempted in the bill is to be more precise with regard to the point he has mentioned. The measure is, in that respect, an improvement because the language used is more precise and direct. I may say that in 1918, as far as I can find, the term "executive assistant" was rarely heard of. It is like so many titles placed on jobs in the service, some of which are new and ingenious. In any event it is a very popular title now.

I have no objection at all to the bill covering the two persons in the minister's office. I think these persons in the minister's office should be completely and adequately protected. But I think, consistent with doing that, it is not necessary to put in any language which is so loose as to be capable of permitting an abuse. One minister abusing this clause and taking advantage of the opportunity to use it improperly could practically destroy morale in the whole department, and that would be a most serious thing to do. It would materially hamper the effectiveness or the efficiency of any government.

I wish to thank the committee for granting me the indulgence of extra time, and in closing I should like to repeat the reference I made at the beginning of my remarks to the objectivity of those hon. members who served on the special committee which dealt with this subject.

Mrs. Fairclough: I should like to say a few words on the subject. I really do not think the hon. member has any reason for concern in the situation he has envisaged. I can assure him, and I believe my colleagues are in much the same position as I am, that competent executive assistants and private secretaries are so hard to come by that we are not anxious to have them leave our offices for employment in the department. Moreover, any employment within the department which would be attractive to them would be on a level where there would certainly be major competition.

(Translation):

Mr. Pigeon: Mr. Chairman, I should just like to make a correction in yesterday's *Hansard*, when I spoke on this bill. My correction applies to both the French and English versions of the official report.

[Mr. Bell (Carleton).]

As reported on page 5 of the appendix to *Hansard* for July 12, 1961, the hon. member for Maisonneuve-Rosemont (Mr. Deschatelets) asked me to repeat the exact figure which I quoted to the house a few moments earlier as to the average French-Canadian representation.

At the time, I thought he was asking me in what proportion the French-Canadian representation had fallen off during the period from 1950-1958. In the case of the Department of Mines and Technical Surveys, the figure was 0.7 per cent. That is the figure I quoted to indicate the French-Canadian representation in that department. That is not correct, since I know that as far as that department is concerned, the proportion of bilingual Canadians has increased, though I do not remember by how much.

(Text):

Mr. Crestohl: I should like to make one or two general observations with respect to statements which have been made by hon. members, with a view to eliminating as far as possible any sense of discrimination because of language, race, colour, creed or religion.

We are, of course, proud that Canadian civil servants enjoy such a world-wide and eminent reputation for honesty and integrity. We are all proud of that whenever we travel and have occasion to talk to people abroad. We are happy, and justly proud, to learn of the fine reputations that our civil servants enjoy. I am sure, too, that the civil servants themselves wish to be completely sure that at no time does the question of discrimination creep into any of the considerations which come before them.

I see from *Votes and Proceedings* of June 26 that the standing committee has recommended an amendment which deals to some extent with the subject. I am not speaking directly to that particular clause, but I would point out in a general way that the amendment addresses itself to the civil service commission. It calls upon the civil service commission not to discriminate against any person by reason of race, national origin, colour or religion. This applies to the commission itself.

To my way of thinking that amendment is perhaps a little superfluous. It is, perhaps, not necessary; but I am satisfied to have such an amendment on the record, though I have seen nothing to indicate why it should be called for. I suggest generally that a precautionary measure of the same sort should be taken with respect to the civil servants themselves. There was an incident a short while ago when a civil servant expressed himself in a way which could indicate that he might practise discrimination. I hope, as

we come to consider this bill clause by clause, that I may have the opportunity to introduce an amendment to remedy that situation.

Members of the civil service very often occupy positions in which they have to make judgments and decisions in respect to matters which come before them. If a civil servant has any prejudices because of colour, race or religion, this would impinge upon his sense of impartiality. Therefore we should, if we possibly can, address ourselves to the civil service to prevent individuals from exercising or practising any form of discrimination. That is the observation I wanted to make in addressing myself to the civil service, against whom I say there is no criticism to be levelled in this regard. It was just the one incident which happened which led me to mention this subject, because it could provoke among members of parliament the fear that if there is one such individual there could well be others.

As I indicated a moment ago, and I propose to offer an amendment, the act should perhaps contain a provision that if any civil servant practises discrimination or is known to practise discrimination because of race, colour, creed or religion he shall be deemed to have exposed himself to the dangers of sanction and, perhaps, dismissal as a civil servant. I hope the committee will bear with me in this regard, because it is not a matter of politics or any consideration other than that which should be unanimous among members of parliament.

Mr. Argue: Mr. Chairman, I have a few words I should like to express at this time with respect to this particular measure. I want to associate myself first with others who have been calling on the government to accord to civil servants the right of bargaining collectively with the appropriate arms of the government in order to establish hours of work, salaries, holidays and other associated working conditions.

I should like to pay tribute to Canada's public service. I believe there has been developed in this country over the years a civil service which is second to none. I think we have within that service many thousands of citizens who are devoting their talents with, on some occasions, real sacrifice to the public good. I think all members of parliament from time to time should acknowledge the very great service that is being rendered our nation by these our public employees.

I do regret very much that at times there seems to be widespread condemnation of the public service, and regret that hon. members sometimes use words that might be interpreted as a general assault upon the civil service. I should like to take exception to the words of the hon. member for Edmonton-Strathcona, because I feel he made rather sweeping charges about our civil service. At one point in his statement he was talking about the former government becoming arrogant, and then went on to say as reported at page 7966 of *Hansard* for July 12, 1961:

> The whole service had got a little too stuck in that way of doing business. In some respects it had taken on some of the characteristics of its bosses, and a complete change was needed.

I do not think there is any ground whatsoever for such a general accusation. I have had a very moderate amount of business with the civil service, yet have not noticed any change in the attitude of public servants with the change in administration. I think a public servant who is a good public servant before a change in government is an equally good public servant after a change in the administration. Rather than tearing down public servants I think we should acknowledge what is the fact, namely that Canada has built a civil service that is a credit to this nation, a civil service that should be defended by members of parliament.

I should like to ask the parliamentary secretary whether he can inform the committee as to what encouragement in general is being given by the government to bilingualism in the civil service. Statistics have been placed on the record from time to time, and it will not be necessary to repeat them in detail, as to the proportion of civil servants who are bilingual in the various departments. Some of these statistics are contained in the "memoire du conseil de la vie française", which was presented to the standing committee of this house, at pages 7 and 8 of that presentation.

I do not speak this morning to hurl any widespread criticism at this government or any former government, but merely rise to express the point of view that in a nation which is bilingual, with approximately one third of its citizens of French origin, we should be able to give greater recognition to this basic fact than we have been able to do as a nation to date, particularly in respect to the statistics regarding our civil service.

The statistics to which I refer comprise a comparison between 1951 and 1958, showing the changes which have taken place. Whether those changes tend to meet the point I make to some extent, or move further away, they cannot be blamed wholly on this administration, nor am I endeavouring to blame them wholly on the former administration. I should like to know, however, whether the parliamentary secretary can indicate any up to date statistics in respect to the proportion of civil servants of the various departments who are bilingual. I should like to know whether there

are statistics available beyond 1958 which establish a trend since that year toward bilingualism among our civil servants.

When the committee met the hon. member for Timiskaming made what I thought was a very constructive suggestion. He suggested that real encouragement should be given to civil servants in all departments, working and resident in all parts of Canada, to become bilingual, and that they should be allowed as part of their working time to take a certain number of hours per week in order to become fluent in the language other than their mother tongue. This kind of program would not only increase bilingualism in Canada but would give Canada's civil servants who are not bilingual an opportunity to acquire this facility in order to better serve our nation.

I should like the parliamentary secretary to inform this committee whether there are any particular plans in existence which the government is now implementing to increase bilingualism in our civil service. I think members of parliament in all parties agree that Canada is a bilingual nation, and I for one feel that French Canadians have a justifiable complaint that their language, particularly in this respect, has not been given the proper consideration by this or by former administrations. I think they are justified in feeling that, whether deliberately or otherwise, there has been discrimination against them.

I think we must recognize that there is a problem, and that all of us should do our best to see that it is dealt with and that there is the kind of equal recognition which I think members of parliament in all parties support. Therefore when I resume my seat I hope the parliamentary secretary can inform the committee now, when we are considering this bill, what plans the government has in hand to increase bilingualism in the civil service.

Mr. Pickersgill: Mr. Chairman, I should like to revert to the subject that was under discussion between the hon. member for Ottawa West and the parliamentary secretary when I came into the chamber a little while ago. I do so without apology of any kind because, like the parliamentary secretary and perhaps unlike anyone else in the house, I have had some experience of being in the kind of position to which the hon. member for Ottawa West referred.

It is true that when I ceased to be head of the prime minister's office I did not avail myself of any rights I might have had under the Civil Service Act. Neither did the hon. member for Carleton. We both chose to follow a different path or were chosen to follow a different path; I am not sure which way I should put it. While I was head of the prime minister's office for the period from 1945 to 1952, I had the feeling then and even after I went into public life, about which hon. gentlemen opposite may be incredulous, that the Liberal party like all things here below was not going to be eternally in office and that some day some problems would arise in respect of the staffs of ministers' offices. I recognized the feeling of the straight line civil servants—and I think the hon. member for Ottawa West put their concern very clearly—when someone from this "tainted" world in which the hon. member for Carleton and I lived for so long is put into a department and apparently blocks the promotion of a hard working, conscientious public servant.

I also think we should recognize what the Minister of Citizenship and Immigration pointed out a little while ago, that our government cannot function at all under our system unless ministers, who in these days when the state intervenes to such a degree in every aspect of life have terrible problems and responsibilities, are adequately assisted by competent staffs in their offices because otherwise they cannot do their work well. It is not fair to the people who are to staff these offices—and in fact in this competitive world it will not happen except for a few rare and conscientious people like the hon. member for Carleton and myself—to expect them to stay there very long when they can get more stable and secure positions elsewhere.

I do not count the fact that I stayed so long as evidence of any virtue on my part, because I had a good time when I was in the public service and I enjoyed it, although perhaps I did not have quite as good a time as I have had since then, but a computation was made once, and if I had just remained in the Department of External Affairs—where I was appointed under the merit system, I might say, in 1937—assuming that I would have received normal promotions from 1937 to 1952 and no favouritism my income would have been considerably higher than in fact it was. A friend of mine found that out for me, because I really was not that much interested. I had made the hypothesis one day and he made a computation covering two or three people who had entered the service at the same time I had, and they were all better off. I am not citing this as any virtue, because I think I had a better time than they had. They had to live abroad in other countries while I was able to go on living in Ottawa and doing the things that I enjoyed doing very much.

The real reason I am bringing up this matter is that I think it is essential to the proper functioning of our system of government that ministers have competent staffs,

and they will not get them unless there is some provision for a reasonable measure of security for those staffs in the case of a change of government or a change of minister. I think the hon. member for Ottawa West is quite right that security should not be provided in the act for someone who remains in such service for only a couple of years and then leaves because the minister does not get on very well with him. The minister is going to stay on, and it is quite wrong that such a person should be put in a slot in the civil service. If the minister has made a mistake and the person is not suitable, the unsuitable person should not be put in the civil service. That is quite wrong.

But it does seem to me that there should be maximum security consistent with efficiency in the service, which must always be the first consideration, when there is a change of government or a change of minister; because it would be quite unreasonable to expect a new minister to accept all the staff of an out-going minister. It often happens that they do, but they should not be expected to have to do so. One minister does things in one way and another in another way, and they should be able to make such arrangements that they can do their own jobs in the most efficient manner possible.

I also venture to discuss this matter for another reason. I have believed for a long time, long before I came to this side of the house and, indeed, long before I ever entered public life and while I was still a public servant, that it is not merely ministers who need adequate, competent and efficient staffs. I do not think that political parties in opposition which have an essential duty to perform, a duty that has never been more necessary than in recent times, should have to be dependent upon political funds to provide the staff to enable them to do the work they are expected to do in this house. I cannot think of a better expenditure of public moneys.

I may say that I preached this doctrine when I was a minister, and I preached it before I was a minister. I was not able to convince my colleagues, though anyone who will trace the history of the office of leader of the opposition from the time Mr. St. Laurent became prime minister will see that repeated and steady ameliorations were made in that regard. I do not think they were good enough and Mr. St. Laurent knew at the time that I did not think so. Indeed, I am sure he would not in the least mind my saying that on one or two occasions I urged that much more should be done. It is just as important that the staff of the leader of an opposition should be protected and given security as the staffs of ministers. I understand that in the legislation they are, and that is as it should be. I know something about this, too, because I have had some practical experience of this matter. I think the committee might be interested in this. It shows how important it is for us, in carrying out our arrangements in parliament, to have a civilized way of dealing with these problems.

It so happened that some time after the late Gordon Graydon had ceased to be the leader of the opposition he went on one occasion to Mr. St. Laurent and pointed out that he had failed to take certain technical steps which should have been taken to protect the position, under the Civil Service Act, of the successor of my hon. friend from Carleton. At that time I was the head of Mr. St. Laurent's office. Mr. St. Laurent asked me if steps could not be taken, notwithstanding the fact that the law had not in fact been carried out, to make sure that the position was protected.

I am very glad to say that the civil service commission took a very liberal view, if I may use that word, and I insist that it be with a small "l", Mr. Chairman. The commission made a very liberal interpretation of the law and the position was adequately protected. That gentleman, I might add parenthetically, was quite properly devoting a good part of his activities at that time to an effort to overthrow the government then in office, as he should have been doing. Steps were taken to see that his position was adequately protected.

Then came a day some years later when that same gentleman no longer seemed to meet the requirements of his political chief, the then leader of the opposition. I am mentioning no names in relating this incident, but this is what happened. Because the leader of the opposition had not changed and because it was the same man for whom he had been working for some time, technically again he had no rights under the Civil Service Act. However, the matter was brought to the attention of the government of that day. It was brought to the attention of my hon. friend Mr. Harris, and by him to the attention of the prime minister. Again a liberal view was taken. Notwithstanding the technicalities of the act, provision was made in the civil service for that distinguished Canadian who had been for a long time the secretary to the leader of the opposition. Provision was made by the civil service commission with the concurrence and active encouragement of the then minister of citizenship and immigration, Mr. Harris, who provided him with a position in his own

department considerably above what the technical requirements of the law would have called for.

Very shortly after this event occurred I succeeded Mr. Harris in that department. I may say that notwithstanding his political affiliation, which had never been concealed and which was never concealed from that time on, he served in that department with the utmost distinction and loyalty. His service could not have been finer. In addition to that he served with the high degree of competence that I am sure he displayed with whoever he served. I had many loyal civil servants—and indeed I never knew of any who were not—in the Department of Citizenship and Immigration when I was the minister. I consider there was none more loyal and few who showed more initiative than the gentleman to whom I am referring.

This is the civilized way to do things. When the government changed, of course, the new administration felt it could use the services of that gentleman in a somewhat more "tainted" way—to use the word I previously used, again with quotation marks—as the hon. member for Carleton and I had served at one time, and he is serving in that way now, no doubt doing his utmost to further the fortunes of the government he is serving, as he should be doing.

I relate this experience because I think it illustrates the civilized way of handling these matters. I do not claim any credit for myself in all this because I was a public servant, I think, when these transactions occurred. Nevertheless the incident I have related illustrates the broad spirit in which Mr. St. Laurent and Mr. Harris viewed these matters. When I hear some of the things that are said about public servants in this house now, I cannot refrain from drawing that contrast.

In that context let me say this, in which I think the hon. member for Assiniboia will be very interested. I do not think what I propose to do is against the rules, because what I should like to read does not relate to the debate we are now having but to something else, though it is extremely pertinent to my remarks. I have in my hand today's *Globe and Mail* which carries an editorial entitled "The Government and the Establishment" from which I propose to read part of a paragraph. I could read a sentence uncomplimentary to the present government, but I am not going to do that. I shall read just a portion of the editorial which sets out a so-called question of principle or practice. Referring to the present government, the editorial states:

> When it came to power in 1957, it succeeded a Liberal regime which had held office continuously for more than two decades. During that long period the higher, policy making posts of the civil service and the crown agencies, had been filled by men who, while not necessarily political partisans—

I might pause just to recall that two of them were Mr. Justice McTague and Mr. Henry Borden. I continue:

> —were in sympathy with the policies of the King and St. Laurent regimes, and shared their conviction that Canada's economic health depended on the continuance of heavy taxation and tight restrictions on credit and business.

I congratulate the writer for having discerned something that has been very difficult for the Canadian people to discern and with which he deals in the following sentence:

> The Conservatives, by contrast, favoured tax reduction, easier credit, and other policies designed to promote economic expansion.

I must say that anything more ironic, more Alice in Wonderlandish, in relation to what has really happened in the last few weeks, would be exceedingly difficult to imagine. The following is the sentence I particularly wish to draw to the attention of the committee:

> But they found themselves compelled to work through a bureaucracy which was highly sceptical of these ideas and which yearned to maintain its accustomed ways.

I remember very well the days of transition in 1957. After all, I had been, though it was four years before that, for 16 years in the public service of Canada, part of that time in a not altogether obscure position. Of necessity I knew quite intimately most of the senior public servants in this country. After I have made my proposition I would even venture to go so far as to put a direct question to the hon. member for Greenwood, who for a while was a distinguished member of the government. My impression was that in 1957 and 1958, without any exception that I know anything about, public servants—like the people of Canada, I rather suspect to tell the honest truth—had got a little bored with the government that was in office, and rather welcomed the idea of working with new people with fresh ideas. Perhaps I am wrong about that, but I gathered that impression. But I had another impression that was very much stronger, and that was that they were ready and indeed eager to do their duty and to serve their new political chiefs in the same conscientious and forthright manner in which they had served the chiefs they had before June 21, 1957.

I must say that I know of no case in which that was not true. There may have been some ardent partisans among them, but I do not know them. I certainly have never heard of any one of the distinguished public servants of this country who ever attempted in any way to thwart or even to do anything but further the policies of the government of the day. If the government of the day in some

circumstances did not have any policies to be furthered, the civil servants could hardly be blamed for that situation. However, as I say, my experience, impression or feeling was that what I have said was true; and that is what the situation should be.

In that context, if I may do so, I should like to quote from a document—I am not sure whether it is immoral or immortal—which has been quoted in this House of Commons already by the right hon. gentleman as an authority for certain conclusions which he drew from it with his usual precision, clarity and that nice capacity for making legal distinctions which sets him apart from his fellow members of the bar. I refer to the Prime Minister's use of this document in another debate, when the Prime Minister used words of mine relating to civil servants about someone who was not a civil servant at all but an officer of parliament and who, according to the Minister of Finance, was responsible to this parliament and not to any political chief, as he had no political chief. That is, of course, the kind of exact, precise, scientific, legal definition the Prime Minister gives to things. That is the way in which the Prime Minister adds so much to our understanding of the correct relationships in our constitution in these days.

Mr. Bell (Carleton): I hope the hon. gentleman gets back to the bill.

Mr. Pickersgill: I can understand that the parliamentary secretary would much rather I got back to the bill.

Mr. Bell (Carleton): No. I shall be glad to debate that subject at any appropriate time with the hon. gentleman.

Mr. Pickersgill: This reference was just parenthetical, Mr. Chairman. The point was that my speech which the Prime Minister did me the honour to quote and to describe as immortal—and I think he exaggerated there—

An hon. Member: You are too modest.

Mr. Pickersgill: As a matter of fact, Mr. Chairman, I am afraid that I had completely forgotten about the speech until the Prime Minister dredged it up. However, I thank him. It is not the first time I have had occasion to thank the Prime Minister for advertising my literary efforts. I thank him again for advertising this one. However, I was talking about civil servants in this speech. I was not talking about officers of parliament who are suppose to be watchdogs to see that we do not have an arbitrary government. I did not expect words applied to civil servants to be taken up, torn out of their context and applied to some thing else entirely.

However, as I say, that is not the kind of argument I make or am seeking to make. What I am seeking to do is to reinforce what I said, namely, that civil servants have certain well defined functions and duties, and that I believe the civil servants of this country, with very few exceptions and none that I know of, have performed their functions in that way.

I should like to quote one or two paragraphs from what I said about this subject. I would not have been so immodest as to do this if the Prime Minister had not cited it as an authority. I would not have thought it was an authority. It was just a fugitive speech that I made when I was invited, as a junior cabinet minister a few months after coming into office, to take part in the opening of the school of public administration at Carleton College. At that time my friend Mr. Coyne was the chairman of the board of governors of that institution. It was for that reason that my friend Mr. Coyne moved the vote of thanks. I am sure that my friend Mr. Coyne would agree completely with everything I said on that occasion, just as much now as he no doubt did then. But this was at an academic institution. Because he thanked me for making the speech he was not expected to endorse my views.

Mr. Regnier: Mr. Chairman, I rise on a point of order. Could we hear something about this bill instead of the history of the hon. member for Bonavista-Twillingate?

The Acting Chairman (Mr. McCleave): While the hon. member for Bonavista-Twillingate is tending to circle somewhat, I think he is sticking reasonably closely to questions relating to the civil service.

Mr. Pickersgill: I was just trying in passing to clear up a few misrepresentations about this speech by a very eminent member of this house. However, I wish to come back to the speech itself. Out of a relatively long experience as a public servant in this country I formed certain impressions which, since the Prime Minister considered they were worthy of note, perhaps might be worth being considered in relation to this bill. In this speech I said—

An hon. Member: One o'clock.

Mr. Pickersgill: Mr. Chairman, before I embark on the quotation perhaps I might call it one o'clock.

At one o'clock the committee took recess.

AFTER RECESS

The committee resumed at 2.30 p.m.

Mr. Pickersgill: Mr. Chairman, when the committee rose for luncheon I was referring to this document which the Prime Minister

described first as immoral and then as immortal. I do not think it is really deserving of either epithet.

Mr. Diefenbaker: I never called it immoral.

Mr. Pickersgill: Perhaps it was one of those errors of transcription that happen from time to time to the best of us. I was pointing out what the Prime Minister said about this speech. Of course I make no point of this, because the Prime Minister did not have the advantage of having the notes I used. There is nothing to that. The Ottawa *Citizen* report, which I have since examined, seems to me very fair and accurate, and I make no point of that.

However, what I did make some point of was that the Prime Minister chose to take words that I applied to civil servants and apply them to someone who was not a civil servant. That of course, in my opinion, is not a very accurate argument. I recognize this is not relevant to the present debate, but the Prime Minister did apply what I had to say about civil servants to an officer who has been described over and over again by the Minister of Finance as an officer of parliament responsible to parliament, in the same general category as the chief electoral officer, the Auditor General and those other people who are not servants of the government.

My speech referred to those people who are servants of the government, who are servants of the government of the day, under the discipline of the government of the day and having an obligation to the government of the day. Since the Prime Minister seemed to think there was some merit in what I had said, I thought I should put on the record just two or three paragraphs of what I did say on that occasion, because I do think it is very relevant to this bill, which deals with the civil service of Canada; which deals with those officials who are servants of the government and not servants of parliament or servants of crown companies.

With respect, if I may be permitted—and if anyone takes exception I will not do it, sir—to make a parenthesis with respect to the servants of crown companies, I think the original jurisprudence in this matter was established by Mr. Arthur Meighen in a very remarkable speech he made in this house in 1920; a speech with which, I may say, the Liberal party disagreed at that time but subsequently came round to accepting as the sound doctrine in relation to the C.N.R. and which every government up until very recent times has always accepted as a sound doctrine, and which I think is a sound doctrine.

Mr. Bell (Carleton): Those conversions will happen in other things as well.

[Mr. Pickersgill.]

Mr. Pickersgill: Yes, they do. We have had quite a history of conversions of one kind and another in this country. I think the hon. member for Carleton is, as he is wont to do, seeking to lead me away from the bill.

Some hon. Members: Oh, oh.

Mr. Pickersgill: I think perhaps I should not yield to his seductions or temptations or whatever word he would like to apply, but should stick really strictly to this large and growing but limited class of persons who are genuine civil servants, who are and are expected to be, and have a duty to be, the servants of the government of the day; who are not, like the Auditor General, appointed to see that public funds are not misappropriated by the government; or who are not, like the governor of the Bank of Canada, appointed to see there is not inflation in secret by the government or who are not, like the chief electoral officer, appointed to see that elections are not run in the interests of a particular party. These are the necessary checks and balances that the Prime Minister and others of his associates used to talk about some years ago when they were on this side of the house, that are essential to the proper working of a constitutional system, as opposed to a notion that seems to be current in some minds, judging from some of the speeches I have heard from behind me, and perhaps from, in front of me, that if you can get a majority you can do anything you like. That is not our system.

Mr. Grafftey: No; there is no pipe line philosophy in this party.

Mr. Pickersgill: As I say, there is a constant tendency in the committee to divert me from what I am trying so hard to say. I come back to that group of people who are civil servants under the Civil Service Act. I had something to say about their responsibilities, and that in my view their responsibilities were very large. Perhaps I could just quote from this document. I said:

In the first place—

The Acting Chairman (Mr. McCleave): Order. The hon. member has come to the end of his time. Perhaps it would be agreeable to the committee for the hon. member to quote the three paragraphs he mentioned. I do not wish to interrupt him in the middle of quoting those paragraphs.

Mr. Martin (Essex East): Mr. Chairman, I am sure the suggestion you have made is acceptable to the committee. In any event, now that I have intervened the hon. gentleman may go on.

The Acting Chairman (Mr. McCleave): Order. I do not necessarily have to recognize the hon. member for Bonavista-Twillingate as the next speaker. Is it agreed that the Chair's suggestion be followed?

Some hon. Members: Agreed.

Mr. Pickersgill: I must say, Mr. Chairman, I appreciate the indulgence and the good humour of the committee, which perhaps is a nice interlude compared with some of our proceedings in recent times. I was just going to quote two or three paragraphs from this speech. I said this about civil servants:

> In the first place they owe loyal and zealous service to their political chief—

Mr. Diefenbaker: Why not put it all on the record so we will have the complete benefit of all the views of the hon. gentleman.

Mr. Pickersgill: I am afraid I cannot really regard the Prime Minister's suggestion that my mind was limited to this document as flattering, nor do I really think the right hon. gentleman thinks quite so badly of me. Perhaps I will follow the right hon. gentleman's example and quote only selected passages.

Mr. Diefenbaker: I meant the entire quotation, as I remember it.

Mr. Pickersgill: I said:

> In the first place they owe loyal and zealous service to their political chief so long as he enjoys the confidence of parliament. If they cannot give such service, even when they disagree with the policy, they are not entitled to feel they are doing their whole duty.
>
> I know this can sometimes be hard, but it is sometimes hard, too, for individual ministers with strong wills and convictions to give loyal support to all the policies of the government they belong to—and yet that, too, is their duty under our system.

It is this next paragraph to which I attach great importance as a statement of the theory on which our system of government in this field, so far as the civil service is concerned, is based:

> I do not think this means—or should mean—that a public servant should not honestly tell his political chief that he believes such and such a policy will have such and such bad or unfortunate effects, nor that he should not give him the full benefit of his ideas, his advice and his suggestions about policy if and when they are desired.
>
> I believe a public servant should do his utmost to keep his political chief out of difficulties. But a public servant also has to learn that he does not make the final decisions and that the good public administrator takes his full responsibility but also knows precisely where it stops.

It was in that context and in relation to that paragraph that I also made the other semi-facetious observation which the Prime Minister quoted.

Mr. Diefenbaker: Would you read on?

Mr. Pickersgill: Yes, the next one is the semi-facetious observation which the Prime Minister quoted and which, I understand, when I was down at the railway station seeing my family off to Newfoundland yesterday, was the subject of some discussion here in the house.

> One way to put it is that civil servants, like children, should be seen and not heard.

I was a civil servant for 16 years.

Mr. Bell (Carleton): Then that, certainly, did not apply to the hon. gentleman.

Mr. Pickersgill: This may throw some light on my character. It may be there are uncharitable members of this house on both sides who would be inclined to say that after 16 years of repression I seem to have been seeking to get over that repression. The fact of the matter is that for 16 years, after spending eight years expressing my views to audiences which paid to listen to me at the University of Manitoba, I was in the public service, and I think in the course of those 16 years I never made any public utterance of any kind which was reported in the press. To the best of my recollection I did not. I believe that on one occasion I read a paper to a club called the history club of the United College of the University of Manitoba. I think there were some people there besides the members of the club. But I do not think the address was reported in any newspaper and to the best of my recollection during those 16 years, while I may have expressed myself with a certain warmth at times in private—if I did not admit that I am afraid the hon. member for Essex East might rise to correct me, because he knew me in those days—my views were never expressed in public, although once or twice there was a little provocation.

These are really the only paragraphs I wanted to read. I wished to read them because it seems to me that therein lies the essence of the proper relationship between a civil servant—that is to say one who is a servant of the government, not one who is a servant of parliament—and the government. However, I think there is a corollary, and if the committee is inclined to be tolerant of me for three more sentences I should like to state that corollary. It is this. If civil servants should keep their views to themselves—and they should; if they should not make pronouncements about public policy—and in my opinion they should not—it follows equally that civil servants should not be blamed, as the *Globe* in its editorial of today sought to do, for the deficiencies of their political chiefs. If the political chief is to be the sole spokesman, he alone is responsible, and he is responsible for the deficiencies of

the civil servants as well as for his own deficiencies. That is the essence of our system of government.

I am not suggesting for one minute that this view has not been accepted by everyone on the treasury benches, but I do hear from time to time from certain hon. members who have not had long experience in this house the view that the government cannot be blamed for this or that because of all these wicked civil servants who will not let the government do what it wants to do. That is only a condemnation of a government; it is not a condemnation of the civil service. This, to me, is the essential point, and it is the point I have been seeking, perhaps with a few diversions, here and there, to make.

Mr. Martineau: We have been treated to a most entertaining discourse from the hon. member for Bonavista-Twillingate pertaining to what I think I can describe as his philosophy, his approach, his attitude in regard to the relationship between public servants—

Mr. Pickersgill: Civil servants.

Mr. Martineau: I said "public servants". The hon. member says "civil servants".

Mr. Pickersgill: There is a difference.

Mr. Martineau: —and the government. I know the committee wishes to be entirely fair to the hon. member, and I think the only way we could be entirely fair to him would be to put on record as far as possible the entire thinking of the hon. member on the subject of this important relationship. The hon. member, with a modesty which I can only describe as being truly Pickersgillian, if I may be permitted to coin a phrase, chose to read only certain specific passages from the immortal address—I think he will agree that if it was not immortal before, it is immortal now—which he gave to the students at Carleton College on October 23, 1953, and which was reported in the *Citizen* the following day. There is a good deal in his address of which all of us can approve, and that is why it should be put on the record—I am serious in saying this—if I am permitted to do so. The headline reads "Pickersgill Opens New Carleton College Building". The report is as follows:

> Marking a significant milestone in the history of Carleton College, Secretary of State J. W. Pickersgill yesterday officially opened a new school of public administration.

Now begins the report of the address:

> State Secretary Pickersgill said it was impossible to be a good public servant without understanding and respecting the fundamental facts of Canadian nationhood—

The point I wish to stress at this particular moment is that the hon. member is referring to public servants at large, not to civil servants in a restricted sense.

Mr. Pickersgill: I am sure the hon. gentleman does not want to be unfair. I imagine I knew what I was talking about, or what I intended to say, and in any event I think the context shows what I meant, because every time I referred to public servants I also referred to their political chiefs. That speech comprehended only those public servants who have political chiefs, that is to say, those who are in a department having a political head. I want to make it very clear that that is the kind of public servant—a civil servant, in other words—to which I was referring in the whole of that speech.

Mr. Martineau: Mr. Chairman, my very purpose in being on my feet is to be fair to the hon. member. I wish to be fair to him in every way. The hon. member has given the committee a certain interpretation of what was said, of what is here in black and white. That is his interpretation. No one denies that that is his interpretation. Other hon. members are equally free to take whatever interpretation they might like to take from the written words. *Scripta manent.* The report continues:

> —the fact that recognition of two official languages and two systems of jurisprudence is embedded in our constitution and the fact the nation began by tolerating two distinct but closely related cultures.

That is good. Then this article continues:

> "If we are to have a good and well balanced public service in Canada, recruits must be drawn from both those original elements of our population and also from those newer elements which have been added to it", said Mr. Pickersgill.
>
> One thing Mr. Pickersgill did not conceive the new school as an institution which would be much concerned with the methods and techniques of public administration.
>
> Referring to his own experience the secretary of state declared, "I know that there are those who would disagree violently with this view—some people already have, including the chairman of the board of governors of one of our most respectable universities—

I do not know whether at that time he was referring to the chairman of the board of governors who happened to be presiding at that meeting and who thanked the hon. member following his speech. However, that is only a remark in passing.

Mr. Pickersgill: As a matter of fact I will clear up that point right now. It was not that particular chairman, and, to tell the truth, I have completely forgotten which one it was.

Mr. Martineau: Be that as it may, it is immaterial in this particular construction.

Mr. Pickersgill: Quite.

Mr. Martineau: The article then continues:

—but I am vain enough to believe I was a good public servant."

Some hon. Members: Oh, oh.

Mr. Bell (Saint John-Albert): Such vanity.

Mr. Martineau: There is nothing like patting one's own back, and no doubt it was a deserved tribute which the hon. member made to none other than himself.

Mr. Pickersgill: No doubt.

Mr. Martineau: The article then continues:

His experience had shown him there were certain essential qualities of a good public administrator.

First of these was "the constant and unfailing realization that he is the servant and not the master of the public."

Mr. Chairman, were truer words ever spoken?

Mr. Pickersgill: That applies to ministers as well.

Mr. Martineau: And coming from the oracle—I was going to say illusive oracle, but perhaps I should say the evasive oracle, inasmuch as the oracle in this particular case is sort of invisible. We cannot see this oracle, we can just sense its presence.

Mr. Bell (Carleton): He called himself a fugitive this morning.

Mr. Martineau: Yes, perhaps a fugitive oracle would be the better description. Now, Mr. Chairman, we must not forget the second or any other part of this very impressive speech. It continues as follows:

The second was a proper appreciation of the limits of the public servant's responsibility.

Again, Mr. Chairman, I should like to draw attention to the fact that there is no mention here of civil servants and public servants and the distinctions that may occur, but twice in the matter of a few passages the term "public servant" is applied.

Mr. Pickersgill: That is right.

Mr. Martineau: I seem to recall—I believe it was the hon. member, but if it was not it was certainly an hon. member sitting close to him—some of the members of the opposition saying during some of their more lofty flights of eloquence in a recent debate that a certain governor of the Bank of Canada was precisely not a civil servant but a public servant. That exact phrase which the hon. member used in this address was there applied. The article then continues:

"Under our system of responsible parliamentary government, public servants are not expected to take the responsibility for the policies they carry out—that is the responsibility of the politician and in my experience most politicians are ready to take it," Mr. Pickersgill said.

He should know, because at that time he happened to be secretary of state.

Mr. Pickersgill: That was a heavy responsibility.

Mr. Martineau: The article then continues:

However, senior civil servants did owe loyal and zealous service to the political chief so long as he enjoyed the confidence of parliament.

Mr. Pickersgill: That is the portion I read.

Mr. Martineau: The article then continues:

"If they cannot give such service, even when they disagree with the policy, they are not entitled to feel they are doing their whole duty," he said.

That did not mean, in his opinion, that a public servant should not honestly tell his political chief that a policy would have bad or unfortunate effects. Nor did it mean he should not give his political chief the full benefit of his ideas, his advice and his suggestions if and when they were desired.

"After all you want all the man's brains, not half of them," commented Mr. Pickersgill.

"One way to put it is that civil servants, like children, should be seen and not heard."

Mr. Pickersgill defined public administration as "the art of reducing a vast chaos of human relationships into some kind of order but it does not consist in my view of reducing human society to mechanical uniformity."

The state secretary said, "In public administration mere technical efficiency is no substitute for an understanding heart, but an understanding heart must be supplemented by a well furnished and inquiring mind."

Those are words of wisdom which no one will deny. That is the full report of the speech made by the then secretary of state, now the hon. member for Bonavista-Twillingate.

Mr. Pickersgill: And the then member for Bonavista-Twillingate.

Mr. Martineau: And the then hon. member for Bonavista-Twillingate. There is only one further mention of the eminent gentleman in the report, and I think it is a fitting epilogue to the quotation. It reads as follows:

Mr. Pickersgill was introduced by Dr. MacFarlane and thanked by J. E. Coyne, chairman of the board of governors.

Mr. Pickersgill: Mr. Chairman, I wonder if I may be permitted, although I know it is not quite according to the rules, to thank the hon. member for giving this additional publicity to my modest effort of another day.

Mr. Martineau: I accept the hon. member's thanks.

(Translation):

Mr. Dupuis: Mr. Chairman, I will not need to seek unanimous consent to make a long speech, because I only have a few brief remarks to make.

Some members on the government side referred yesterday to the content of clause 47 of the bill, which deals with bilingual employees within the civil service. I commend

those who referred to that clause and I join them in expressing satisfaction over the fact that it provides that a person hired by the civil service shall be sufficiently bilingual—

—to enable the department or local office to perform its functions adequately and to give effective service to the public.

I also commend the hon. member for Assiniboia (Mr. Argue) who stated this morning that there were too few bilingual employees in the civil service.

In fact, I should like to describe a small experiment that illustrates how true it is that in various divisions, no thought is given to hiring bilingual employees.

In the first place, one needs only look at the unilingual telephone directory that every hon. member has in his office to find that in any division, there are very few employees with a French name, and that only a very small number of employees can answer in French.

Last year, I brought this fact to the attention of the minister of trade and commerce, who is now Minister of Veterans Affairs (Mr. Churchill). I asked him, on June 16, how many bilingual employees there were in the small business division. At the time, the minister replied that there were several employees but that he did not know the exact number. I then asked him how many spoke French. He replied that there was only one.

For my own information, I called up Miss Torontow of the small business division in the Department of Trade and Commerce. I spoke to her in French, and asked her whether she knew if there were some lectures given on small business on the occasion of certain visitors being in the capital. She answered "What did you say?" And I repeated my question: "Do you know whether some lectures are being given in French on the subject of small business for the benefit of those who visit the capital?" And she replied: "I don't understand." I asked her then: "Are you bilingual?" And she answered: "Yes." Then I asked her: "Can you answer me in French?" And she said: "No." I asked further: "What other language do you speak?" She replied: "A little of all, but not much of each."

Mr. Chairman, the experience I had with Miss Torontow is inacceptable to Canadians who are asking for bilingualism in the various departments. And when the Minister of Trade and Commerce states that there is one person speaking French in the small business division, while that person scarcely knows two or three words of that language, I believe that he not only scorns bilingualism, but also this House of Commons, because he is giving wrong information, without checking the facts.

Before resuming my seat, I want to mention another aspect of the present situation, as we are discussing the Civil Service Act.

In the past, it was the Secretary of State who had the privilege of introducing this bill in the house. I do not know why this year the Secretary of State (Mr. Dorion), who is from the province of Quebec, was deprived of the pleasure or the honour of introducing this bill, because we must keep in mind that the Secretary of State is the minister responsible to the House of Commons for the civil servants.

At this time when we are considering the Civil Service Act, the Secretary of State is not even in his seat. This morning, when it was announced that the house would examine that act, the Secretary of State left the house and he has not come back yet.

In my opinion, Mr. Chairman, it is a shame that the Secretary of State should not participate in the examination of this bill. He is the one who answers for the civil service before parliament and he should be here to discuss matters relating to the civil service commission.

I am most surprised that the introduction of this bill has again been entrusted to the Minister of Finance (Mr. Fleming). It is always the Minister of Finance who introduces legislation. He seems to be the only competent minister on the opposite side. Yet, he has made so many blunders recently that he should have been relieved of the introduction of the Civil Service Act.

Now, Mr. Chairman, I should like to stress the point that we, from the province of Quebec, just like the members from the other provinces, are most surprised to see the small role the Secretary of State is called upon to play, that prerogatives are taken away from him and given to the Minister of Finance—indeed not even to the Minister of Finance, since he is not here, but to his parliamentary secretary (Mr. Bell) who is piloting this bill in the house.

We are surprised, to say the least. When section 47 purports to be favourable to French-Canadian employees, the French-Canadian ministers should be allowed to

play their role in this house, if minorities and bilingualism are to be respected here.

Mr. Martineau: Mr. Chairman, on a point of order. I have a right to rise on a point of order. I have just one word to say—

Mr. Martin (Essex East): Yes, but the hon. member for Brome-Missisquoi (Mr. Grafftey) has the floor.

Mr. Martineau: —in reply to certain remarks the hon. member has just made—

(Text):

The Acting Chairman (Mr. McCleave): Order. Is the parliamentary secretary to the Prime Minister raising a point of order?

Mr. Martineau: Yes, I am raising a point of order.

The Acting Chairman (Mr. McCleave): Then he should address his point of order to the Chair and not to the hon. member who has just taken his seat.

Mr. Martineau: I am very sorry, Mr. Chairman, but I was addressing the Chair. I referred to the hon. member in the third person; therefore I was addressing the Chair. I am sorry if the chairman did not understand because I happened to be speaking in French, but I was addressing the Chair. The point I am trying to make is that the hon. member stated that this bill comes under the administrative duties of the Secretary of State. My point of order is this—

The Acting Chairman (Mr. McCleave): Order. That seems to me to be a point of debate and the hon. member can make that point in due course. The hon. member for Brome-Missisquoi.

Mr. Martineau: Respectfully, Mr. Chairman, it is not a point of order. It is simply a point of fact that when the Civil Service Act was first introduced in 1918 it was introduced by the acting minister of finance.

The Acting Chairman (Mr. McCleave): The parliamentary secretary can make his point in debate in the normal way, but it is not a point of order as he himself has said.

Mr. Grafftey: Mr. Chairman, after listening to the remarks of the hon. member for Bonavista-Twillingate I too should like to pay a tribute at this time to what I think and what I am sure all hon. members of this house will agree is a civil service of which we can be most proud. I am especially proud, when I think that Canada has not yet reached its hundredth birthday, that over the years since 1867, the year of confederation, we have developed such a fine civil service. I am sure I am not the only member of the house who is most proud of that fact. I am happy to see the parliamentary secretary in the house today taking a great interest in these proceedings. No member has done more than the hon. member for Carleton to advance the real interests of our fine civil service in the House of Commons.

Mr. Pickersgill: Except the hon. member for Bonavista-Twillingate.

Mr. Grafftey: I am sure my very good friend from Bonavista-Twillingate will be happy to hear that I intend to be very brief, but in my brief remarks I should simply like to say that since confederation Canada, as we all know, has gone through many so-called emergency periods which included two world wars. In Canada, as in so many other countries in the western world, simply by reason of the natural force of sociological, economic and political events, our civil service became bigger and bigger. I should like to draw to the attention of hon. members the difference between the treatment of the civil service by the present administration in the years 1957 and 1958 and the treatment accorded to the civil service in 1935. I will deal with that very briefly.

Mr. Pickersgill: 1931 to 1935?

Mr. Grafftey: I should simply like to say this. I am not pretending to speak for my party at the present time.

Mr. Pickersgill: Wise man.

Mr. Grafftey: I have not consulted other members. I have not been so presumptuous, but I wish to advance my own personal opinion on the floor of the house this afternoon. I know that members on both sides of the house will have different opinions on this matter. Toward the end of the 22-year rule of the last administration I think a very bad thing happened, and certainly in my own mind I have established a general rule.

Along the opposition front bench today the only real House of Commons man, to my way of thinking, is the hon. member for Essex East. What happened toward the end of that 22 years of Liberal rule which I do not think aided the morale or spirit of a truly independent civil service? We saw the Leader of the Opposition come from the top hierarchy of external affairs right into the active arena of politics. We saw the hon. member for Bonavista-Twillingate, who served in the office of the prime minister, do the same thing. Civil servants in that office are meant to be steadfast and independent, if any should be, ready at all times to serve all prime ministers of all political parties. Where did he go? He went right from that high position into the active political arena.

Mr. Pickersgill: On a question of privilege, Mr. Chairman, I should like to ask the hon. gentleman whether he considers that I am not steadfast and not independent.

Mr. Grafftey: Mr. Chairman, I have never been a person with too much respect for people who plead humility all the time, and I think, as he himself does, that undoubtedly the hon. member for Bonavista-Twillingate was a capable and loyal civil servant. But I am now talking about a general principle which I feel in my heart of hearts hurt the system. What else did we have near the end of 22 years of Liberal rule? The hon. member for Laurier went from being an active politician to the seaway commission, and then all around the circle and back again. I am not going to be irresponsible and make irresponsible attacks. I am sure when these gentlemen were in the civil service they were loyal public servants. But what I am saying most emphatically is that the present administration is today trying to correct the bad confusion which was created in the public mind at that time, not only among civil servants but among the public generally.

Mr. Martin (Essex East): Would the hon. member permit a question? Is he not aware that the distinguished parliamentary secretary to the Minister of Finance himself was a civil servant?

Mr. Grafftey: I am quite aware that the hon. member worked in a minister's office—

Mr. Pickersgill: As I did.

Mr. Grafftey: As the hon. member did, but I do not know whether he was a civil servant in the strict sense of the word. I believe he was secretary to the minister of national revenue at that time, and I may be subject to correction here but I do not believe he was a civil servant in the strictest sense of the word.

Mr. Bell (Carleton): And then to the leader of the opposition.

Mr. Grafftey: And then to the leader of the opposition.

Mr. Martin (Essex East): Still a civil servant.

Mr. Bell (Carleton): A public servant.

Mr. Grafftey: I realize only too well that we have not the same system here as there is in the United States, where they recognize the separation of powers theory. But I do say this, and I say it emphatically; that parliamentary democracy only works well when you have a clear cut division between administrative and legislative duties. At the end of that 22 year reign the people from one end of this country to the other were not making irresponsible attacks on these fine civil servants about whom I am talking, but they were making attacks upon what they called bureaucracy; not bureaucracy caused by the civil servants but caused by an administration which delegated to them tasks which they should never have had in the first place. This procedure was involved in those numerous orders in council, and it was caused by the leadership of the government of the day when so many of them did not see this clear-cut division which is so important in our democratic parliamentary process.

Let us compare, for instance, what is going on in Canada today with what went on in the United States not so many years ago. We had a very fine general enter into the arena of partisan politics and trespass upon the jurisdiction of the President of the United States. However, that general knew what he was doing. I ask hon. members to compare that with what is going on in this country today. The hon. member for Bonavista-Twillingate, has been charged, for example, with advising the governor of the Bank of Canada. I do not think it is necessary for the discussion of the principle which I am putting forward to become involved in a detailed debate as to whether or not a public servant has a responsibility to the government of the day or to parliament. Perhaps the hon. member for Bonavista-Twillingate did not think there was anything wrong in advising the governor of the Bank of Canada to take certain action, or advise him how he should write his various releases.

Mr. Pickersgill: I rise on a question of privilege, Mr. Chairman. I have already twice denied in this house that I had anything to do with the writing of those statements by the governor of the Bank of Canada. I do not really believe that repeated statements of that sort should be permitted, making it necessary for an hon. member to get up in his place—

Mr. Tremblay: That is true.

Mr. Pickersgill: Of course it is true; I have no intention of making anything of this or protesting because it is true. I said it once, and I do think that statement should be accepted.

Mr. Grafftey: I certainly accept the statement of the hon. member for Bonavista-Twillingate, who is an honourable man, and I accept exactly what he said. He said he had nothing to do with the writing of the speeches—

Mr. Pickersgill: The statements.

Mr. Grafftey: —the statements—and I only made the general remark that he had a lot to do with advising the governor on his course of action. That is a very different thing.

Mr. Tardif: Where did you hear that?

The Chairman: On the point which was raised by the hon. member for Bonavista-Twillingate, I must indicate that hon. members are bound to accept the statement made by an hon. member concerning matters which are within the personal knowledge of that hon. member. That is the first point. On the second point, may I say that even if what the hon. member for Brome-Missisquoi was saying was relevant to the debate, he should not revive a debate which has been concluded.

Mr. Grafftey: I should like to thank the Chair for directing me in such an able fashion. I am using these specific examples to give to the House of Commons my personal ideas on how important it is, in this day and age, that the voice of the people be heard in this house.

Some hon. Members: Hear, hear.

Mr. Grafftey: I simply say that I have used specific instances to point up the general idea that the administration I support understands what is meant by the voice of the people.

Mr. Denis: Prove it.

Mr. Grafftey: It may be that I am going far afield from the subject of this debate, but I believe my remarks are germane. When I talk about the rights of parliament I am not making an irresponsible attack on these fine civil servants. When I talk about the rights of parliament as opposed to administrative control, I believe I am talking about a real principle involved in the discussion this afternoon.

I noticed the hon. member for Essex East applaud but, as I said before, he is a House of Commons man. However, other hon. members opposite, time and time again, have said that the backbenchers on this side do not get up and express their point of view very often. I say they do. Just look at the *Hansard* index and you will see that it is the same old four horsemen who speak for the opposition, with the occasional interjection from the rear.

In concluding my remarks I should like to bring before this committee the fact that this administration is determined to preserve the rights of parliament.

Some hon. Members: Hear, hear.

Mr. Grafftey: It is determined that the voice of the people will be heard.

Mr. Habel: When did you get prompted?

Miss LaMarsh: Let us go to the people, and we will see.

Mr. Grafftey: I am sure that in their hearts not too many hon. members opposite are happy to see an appointed official giving testimony before a non-elected body.

Mr. Martin (Essex East): Will the hon. member permit a question? In view of what he has just said, will he explain why he supported a government that denied us in this House of Commons the right to have a House of Commons committee deal with the governor of the Bank of Canada?

Mr. Grafftey: I expressed my views on that matter.

Some hon. Members: Answer.

Mr. Grafftey: We are now in the realm of a past debate, and I expressed my views during that debate last week. This is the answer.

Some hon. Members: Answer.

Mr. Grafftey: Not once did hon. members opposite express one question that they would ask in such a committee that they did not ask on the floor of the House of Commons. I think that answers the question. Again, I would simply say that this administration is drawing the line, between parliamentary rights and administrative control, a line that must be drawn if parliamentary democracy is to function in the proper way. This line was glazed over by the past administration, and legislators became administrators and then in turn became legislators again. One day a man would be loyal to the administration and the next day he would plunge into the arena of partisan politics.

An hon. Member: You should have stayed in your crib.

Mr. Grafftey: I hear an hon. member say that I should have stayed in my crib. I suppose that is another reference to my youth.

An hon. Member: Not at all.

Mr. Pickersgill: Is the hon. member young?

Mr. Grafftey: As I look at hon. members opposite I understand their chagrin over the fact that the young people of the nation are not following their leadership.

Miss LaMarsh: In making his last few remarks it appeared, at least, that the hon. member looked in my general direction. I should like to say on a matter of privilege that when it comes to youth I will not take a back seat to the hon. member for Brome-Missisquoi.

Mr. Grafftey: Mr. Chairman, I will be the first to admit that a series of diversions have turned us away from the pith and substance of this debate. I can also assure hon. members opposite that over the last 10 minutes I have tried to terminate this speech on a matter of principle. That principle is simply this. This administration is going to restore this line of division, a line of division that was made not too clear by the past administration when legislators invaded the administrative wing of government and vice versa. We all know what is going on in the country today. These are principles that should be stated and restated.

An hon. Member: It is too late.

Mr. Grafftey: I intend to state and restate them both inside and outside of this House of Commons.

Mr. Habel: Will the hon. member permit a question?

Mr. Grafftey: Yes.

Mr. Habel: Will the hon. member tell us whether it was not the Prime Minister who promised to do away with the rule of closure? Has he done so?

Mr. Grafftey: As I understand the question, it was whether it was not the Prime Minister—

The Chairman: Order. I think I should not allow the hon. member to reply to a question which is really not relevant and which would take us far away from the bill. I do not think the question was relevant to the general theme the hon. member was trying to develop.

Mr. Habel: In fact, Mr. Chairman. I should say that the question was certainly relevant to the speech made by the hon. member for Brome-Missisquoi.

(Translation):

Mr. Martineau: Mr. Chairman, I rise merely to answer an attack which I would call underhanded launched by the hon. member for St. Jean-Iberville-Napierville (Mr. Dupuis) against the Secretary of State, who is not in the house at this time because of other duties.

Apparently, Mr. Chairman, the hon. member has never taken the trouble to study the background of the bill now before the committee. He has therefore failed to realize that it seeks to amend the Civil Service Act which was introduced in 1918 by the then acting minister of finance, Mr. A. K. MacLean, which indicates that the Civil Service Act is properly the responsibility of the Minister of Finance. As to the Secretary of State, he is only the spokesman for the civil service commission in this house.

It is therefore quite appropriate for the Minister of Finance or his representative, the parliamentary secretary, to pilot this measure through the house.

Mr. Dupuis: Mr. Chairman, I shall be brief. When the parliamentary secretary of the Prime Minister says my attack was underhanded, he is of course using an expression that was quite popular in Quebec in the days of the Union Nationale. I have never been underhanded.

I will say to my hon. friend, who looks upon himself as a fountain of knowledge, that I knew the civil service bill had been introduced in 1918.

However, my hon. friend apparently does not know that for several years secretaries of state have made it a point to be present in the house and to take part in discussions on the Civil Service Act.

I think my hon. friend should know that in 1918, the secretary of state department did not exist. Perhaps my hon. friend is not aware of it, but that responsibility was entrusted to the secretary of state around 1930. I think I am giving now a lesson to the parliamentary secretary to the Prime Minister who does not seem to know what happened in the past. I think it was only in 1930 or thereabout, that the secretary of state began to look after the civil service commission. From that time on, the secretary of state has been responsible to the house for the civil service commission.

My hon. friend says that I was underhanded with regard to the Secretary of State. Not at all.

We have now been studying this bill for two days. The Secretary of State was present yesterday. He was in this house during the question period today. But the very minute the discussion of the civil service bill was announced, which should interest him first and foremost, he left the house.

Mr. Pigeon: That is dishonest.

Mr. Dupuis: I object to that and protest against such an attitude.

Mr. Martineau: Mr. Chairman, the hon. member does not seem to know that the Department of the Secretary of State is one of our oldest departments.

Mr. Dupuis: Mr. Chairman, on a question of privilege. The hon. member for Joliette-L'Assomption-Montcalm (Mr. Pigeon) just said I was dishonest. I am asking him to retract that epithet, which suits him better than me.

Mr. Pigeon: When the hon. member for St. Jean-Iberville-Napierville (Mr. Dupuis) stated that the hon. member for Bellechasse (Mr. Dorion), the Secretary of State, had left the house, he was dishonest because that is not true.

Mr. Dupuis: Mr. Chairman, I was in the house and so were all the other members who are present at this time, and I would ask the hon. member for Joliette-L'Assomption-Montcalm to withdraw the word "dishonest" he used when he spoke about me.

The Chairman: Order. I was just going to tell the hon. member for Joliette-L'Assomption-Montcalm that he must not use that word and ask him to withdraw it.

Mr. Pigeon: Mr. Chairman, I withdraw the word but I should like to say that the hon. member has been unfair to the hon. member for Bellechasse.

Mr. Dupuis: Mr. Chairman, the hon. member for Joliette-L'Assomption-Montcalm showed a want of tact, as usual.

(Text):

Mr. Macdonnell: Mr. Chairman, I have a very important announcement to make. I am not going to talk about the hon. member for Bonavista-Twillingate. I am not going to read his speeches. I am going to ignore them because it seems to me that this afternoon we have been in great danger of making the publicity of the hon. member for Bonavista-Twillingate the chief subject of discussion. Indeed, he indicated that himself.

Mr. Pickersgill: I did not start it, though.

An hon. Member: You encouraged it.

Mr. Macdonnell: I wish to make two or three brief remarks about the civil service. I wish first of all to say a word about the committee and its proceedings. I was glad of what the hon. member for Ottawa East said. It is true that we really endeavoured to discuss in good temper, regardless of party, the questions which came before us. I am sorry to say that it remained for a member of this House of Commons who was not on the committee to refer to second class citizens, the juggling of wages, etc.

If there ever was a time when the subject matter was considered seriously, the subject matter being the welfare of the civil service, I think it was in that committee. I am glad to think that we are now going to have a chance to discuss it here in the same temper.

We were fortunate in having the hon. member for Carleton, the hon. member for Ottawa East and the hon. member for Ottawa West on the committee. They have, I think in very special degree, a knowledge of the ways and workings of the civil service, and we had the great advantage of their assistance.

I should like to read just a sentence from the report of the Heeney committee, pointing out briefly and accurately the tremendous change in the civil service since this act was passed more than forty years ago. It states as follows:

> 15. During this period—i.e. since the act of 1918—and particularly since the 30's, the functions of the public servant have undergone a significant transformation. Fifty years ago, nearly all employees in most federal government departments could be classified, with reasonable accuracy, as clerks, for most were engaged in routine clerical work. Today, the public servant may be scientist, medical doctor, meteorologist, film maker, etc.—

I think we need to remember that when we are considering the problems of allowing people into the service. The difficulties of selection, of course, are great. The question of educational equipment is, of course, all important. I think there is a danger that we should come to regard technical efficiency as the whole story. I do not believe it is the whole story. Particularly as you rise to the top of the civil service I think you need people with what I can only describe as general human capacity wisdom and a broad view of things. I would therefore say that in our selection we should have regard not only to technical matters but to other matters as well. I should like to say one word about the situation which has obviously arisen with the expansion of the duties and the qualifications of civil servants. I refer to the relationship between what is done by government—and we expect it to do so much more than formerly—and private enterprise. I think it is from the happy relationship of those two fields that the most successful and efficient operation of our economy will come.

Years ago I happened to see a good deal of the functioning of the department of mines of the Ontario government. I saw there what I thought was a very happy illustration of the fullest co-operation between the government and the private individual. That department carried on a great deal of scientific work. It had conducted surveys of the whole potential mining area and had indicated where the likely areas for prospecting were situated. They had carried out an enormous amount of useful work. But it was the hard boiled prospectors taking a chance, perhaps 100 to 1 against them, using that technical information and going in with the impulse of private initiative who, let us say, took to the ultimate the work which had been done in the department and discovered the mines.

I like to think of that because at the present time it seems we are sometimes not very clear as to the relationship between public and private services, and it seems to me also

that in that we had a very good illustration. I do not propose to say any more at this time, Mr. Chairman. We will be dealing with various matters as they come up item by item and I will reserve any further comments until later.

Mr. Herridge: Mr. Chairman, I have a few brief words to say on this interesting bill because the civil service in relation to government, in relation to industry and in relation to the public as a whole has been an interesting study of mine throughout the years. It is one of those studies one undertakes when there is not something more pressing.

As I understand it this bill is based on the civil service commission report of 1958 and replaces, generally speaking, the Civil Service Act of 1918. I believe it is generally satisfactory. I followed the work of the committee and I think that regardless of party the committee is entitled to the commendation of the house for carrying on this lengthy study of a very important piece of legislation. There is one clause of this bill in particular in which this group is very interested. We believe further measures should be provided in recognition of the principles of collective bargaining. However, I will have more to say about that subject when we come to discussion of the various clauses of the bill.

There are many people in the country who fail to realize the great importance of the civil service of Canada. Our civil service has made a great contribution to the welfare of the state in war and in peace. It performs essential, valuable and faithful service to the nation at this time. But there are changing circumstances in our society because of increasing industrialization and the widening activities of government which make the responsibilities of the civil service different from what they were some decades ago.

I think it is of increasing importance that we should recognize the necessity of having an efficient and loyal civil service. For that efficiency to be maintained and for that loyalty to prevail we must have circumstances and working conditions that will maintain a high morale in the civil service. I believe we have to give the civil service justice in two particular fields. First of all there must be justice to all applicants. All persons who apply for positions in the civil service must have confidence in the fairness of the examinations and the fairness of the allocation to positions, and things of that sort.

Second there must be a sense of security in their employment and also in their retirement, as compensation for long and faithful service. They must have this security to compensate them for the opportunities which exist in private industry and which in some respects are lacking in the civil service. Civil servants should have the same freedom, with economic equality, as industry: We in this group believe they should have a greater opportunity to practice the principles of collective bargaining, but as I said before, we will leave the discussion of that particular question until we deal with further clauses of the bill.

I have always been particularly interested in the protection of the rights of the civil servant as a Canadian citizen; in particular in political activity. We think that when a civil servant has that right it indicates a mature and highly developed nationhood and civilization. This problem is one that has concerned some of the parliaments of Europe, and particularly the parliament of Great Britain, for a number of years. In Great Britain they have been able to resolve a number of these questions which are still unresolved in somewhat newer nations such as ours.

In Great Britain they have accepted certain basic principles and certain practices as a result of debates in the House of Commons, as a result of reports of several committees which made a careful study of this question, as a result of experience with a developing civil service and as a result of public opinion.

I think we could very well follow with interest what has happened, particularly in Great Britain, in making provision for the greater majority of civil servants to participate in politics without in any way being questioned as to their loyalty to the government and the proper carrying out of their duties.

In that connection, Mr. Chairman, I wish to quote a few paragraphs from a book written by Harold J. Laski, who is well known as a professor at the London school of economics. This book is entitled "Reflections on the Constitution". Professor Laski deals fully with civil servants, both at the administrative and other levels. He deals with their economic rights and their political rights. I wish to quote briefly from this work because I believe Professor Laski makes some rather cogent remarks on this question.

I shall refer, first, to page 188 of this book. I might say, Mr. Chairman, I am very pleased to see I have the rapt attention of the hon. member for Medicine Hat. I am sure he is as interested in this subject as I am.

Mr. Brunsden: May I assure the hon. member that he has my undivided attention.

Mr. Herridge: Mr. Chairman, I did not hear the question.

(Translation):

Mr. Tremblay: Mr. Chairman—

(Text):

Mr. Herridge: You are a bit optimistic, old boy; I have not finished yet. Mr. Chairman, I wish to quote from page 188. This is a chapter entitled, "The political rights and social interests of civil servants". Professor Laski says:

I should like to begin by saying at once that the report of the Masterman committee seems to me a woeful and timid document, built on a distrust of the honesty and loyalty of many hundred thousand civil servants who have given many years' proof that this distrust is utterly without justification.

This report was rather timid with respect to granting political rights to civil servants, but that situation has since changed.

Mr. Brunsden: Would the hon. member permit a question?

Mr. Herridge: Yes.

Mr. Brunsden: The hon. member used the term "social rights". Will the hon. member define those rights? We understand political rights, but what are social rights?

Mr. Herridge: I think those are very easily described. They are all those rights which any Canadian citizen is entitled to enjoy in our society. I do not resent the intervention of the hon. member for Medicine Hat because it gives him the opportunity to make one of his infrequent speeches.

The author of this book goes on to say:

Above all, I believe it is a great mistake to separate the vast majority of officials from work in local government where, very often, their experience of administration would enable them to make an important contribution to the standards of administration.

In Great Britain and other western European countries, civil servants, that is, servants of the federal or state government, shall we say, take a very active part in politics at municipal and other levels. The author says:

In the French system, a great many civil servants, of whom, perhaps the best known among those living is that eminent humanist, Mr. Leon Blum—

Of course, Mr. Blum has died since this was written.

—have played their part in politics without any deterioration in their work; and I have known scores of lesser cases in which the official's political affiliation was both active and known without producing the conviction that he would not be loyal to a minister whose convictions were of a different school.

That is the sort of thing we have to learn in this country. We have to recognize that right, and have that trust. Mr. Laski goes on to say:

Perhaps I may summarize this by saying that when an official has strong political opinions he could not conceal them from anyone but the most stupid of ministers—

I hope they are listening over there.

—for more than the first hour of their relationship, and the real question was, and is, granted those convictions was he capable of looking at the minister's views with detachment and of helping him to apply them with the full energy of his mind. The answer is sometimes yes, and sometimes no. Sir Austen Chamberlain, in his autobiography, tells an admirable story of the permanent secretary of the post office—

That is the same as our deputy minister.

—when he was postmaster general. They quarrelled violently over a decision Sir Austen proposed to make until at last he told his official that he had made up his mind that the decision stood. Thereupon, Sir Austen tells us, his permanent secretary said, "Well, postmaster general, if you want to make a damned fool of yourself, I cannot prevent you from doing so. But at least I can show you how to do it with the least possible damage to the country".

My, what a lot members of the government could learn from that attitude toward public life.

That is what I mean by loyalty and detachment, and I think they are qualities quite distinct from political convictions and party preferences.

Then the author goes on:

First, it is clear that all members of the administrative class should impose upon themselves a self denying ordinance in the political sphere. They ought to resign if they want to be candidates for parliament. They ought not to make political speeches. They ought not to write books or articles on the immediate issues of political controversy. They are too near the centre of power to do any of these things.

That is the practice in Great Britain. Administrative officials do not take part in politics. Apart from members of the administration class, officials can run for election, attach themselves to the party which they adopt, make speeches and take part in political campaigns. Then, continuing, Mr. Laski says:

Assuming that the average civil servant observes the normal decencies of political behaviour, I am unable to believe that the liberation of the grades below the administrative would shock any public opinion or do any harm to the work of the department.

I have quoted these extracts from this very interesting book to indicate the opinion of a man who is very well versed in politics and the principles which ought to be applied to the administration of the civil service. I believe we have to think along these lines. We have to do more in this country to recognize the rights of our civil servants in this respect. We have to trust them more. In Great Britain I have had the opportunity to meet a number of civil servants of high rank and a number of civil servants of lower rank. There is a spirit of confidence in their democratic principles, a spirit of confidence in civil service loyalty over and beyond political opinions which makes it possible for the

government and the people to recognize the right of civil servants, with the exception of those in the administrative class, to express political opinions and to take part in politics. While we are considering this legislation all members of this committee regardless of party should give this question some consideration so that as soon as possible in the near future we may be big enough and have enough confidence in our civil servants and in our system to give effect to principles which have been applied in Great Britain as the result of experience. In so doing we should be according to our civil servants the full rights to which they are entitled as Canadian citizens.

(Translation):

Mr. Dupuis: Mr. Chairman, I should like to make only one correction. I said a while ago that the office of secretary of state did not even exist in 1918. I must say that I was wrong but it is only in 1930 that the secretary of state was entrusted with the administration of the Civil Service Act. I felt bound to make that correction because I do not like to mislead the house.

Therefore, ever since 1930 the secretary of state has been responsible for the administration of the Civil Service Act. He has participated in debates on estimates and legislation concerning the civil service of Canada. A while ago, I said that it is unfortunate that the Secretary of State should not be here this year when we are examining the Civil Service Act and when this bill is being introduced.

(Text):

Mr. Matheson: In speaking to this bill may I dissociate myself from the remarks of the hon. member for Brome-Missisquoi. I think we have a good example in a person who was a distinguished King's counsel—

An hon. Member: Queen's.

Mr. Matheson: No. It was King's counsel in that day, I believe—a colonel of His Majesty's and Her Majesty's forces, a supreme court judge who now adorns the office of chairman of the civil service commission. The fact that this gentleman, who is esteemed and highly respected in all quarters of the house, knew something about practical politics in no way reduces his usefulness to parliament.

Looking at the excellent report put out by the chairman of the civil service commission I note one or two things with satisfaction. One is the salary increase for the majority of civil servants. We must bear in mind that anything which has been gained in the way of salary increase has really been compensation for loss of real income. We must be reasonable and expect that within the near future this matter may have to be reconsidered, particularly if our monetary policy is going to reduce still further the value of our dollar.

We notice also the statement on page 9 of the report that recruiting was easier in 1960. This, unfortunately, is simply a reflection of the employment difficulties which many of our university graduates have faced in the past two years.

On page 11 of the report there is a factor which I find disturbing and I would ask the parliamentary secretary if he could help us with regard to this matter. Under the heading "Shortage Classes" the report says: "At professional level recruiting was difficult in the case of—" Then the report sets out the classifications of a number of people whose services were difficult to recruit. Among them are economists, and I find this distressing, particularly in the light of the longest budget in Canada's history which curiously contained practically no economic theory. There was a certain amount of reference to monetary policy but, after all, monetary policy is only a small part of economic theory.

Turning to Dr. John Kenneth Galbraith's book "The Affluent Society" and in particular to the chapter called "The Monetary Illusion" I find that the author says this, which I believe is germane to our discussion:

> Not only did monetary policy belong to the banking community, but specific steps were taken to safeguard the exercise of this authority from the intervention or intercession of politicians. The central bank was kept "independent" of the government and in degree above it. Such was the case for centuries with the bank of England. It is still so, nominally, of the federal reserve system.

He goes on to point out, as I think we have heard in the speeches of the late governor of the bank, that monetary policy is only a tiny part of economic theory and sometimes an illusionary part.

An hon. Member: Order.

Mr. Matheson: In the language of Dr. Galbraith he says:

> Monetary policy became a form of economic escapism.

The Chairman: Order. I believe the hon. member is getting a little far afield now. He is taking the occasion of the report to discuss other matters which are not germane to the debate. I would ask his co-operation in this regard.

Mr. Matheson: Thank you, Mr. Chairman, I shall certainly co-operate. I was pointing out, sir, that we should not overemphasize monetary techniques and be concerned with over-all economic principles.

In *The Economist* of July 8, 1961, an Ottawa correspondent has the following to say:

—Canada was not ready in 1957, and is still not ready in 1961, to take Britain's offer of a free trade area as a basis for negotiation.

An hon. Member: Order.

The Chairman: Order. I should like to indicate to the hon. member that we are discussing Bill No. C-71 which is an act respecting the civil service of Canada. The problems which the hon. gentleman has been discussing are not affected by the bill as it is drafted and as it is before this committee.

Mr. Matheson: Thank you, Mr. Chairman. In referring to the interesting and scholarly address to which the Prime Minister devoted his attention when he enunciated his own thesis, that civil servants, like children, should be seen and not heard, I think we should remember the important part of that address—indeed, the real germ of the message which somehow or other escaped the Prime Minister as he considered the role of civil servants in government, namely, "We want all the man's brains". I think that is very important particularly in these areas of finance, trade and commerce, etc., upon which the well being of all Canadians so largely depends.

I should like to ask the parliamentary secretary if he could tell us how many economists of the Ph.D. level have been taken into the public service in the year 1960.

Turning to the chairman's report, there is another sentence on page 13 under the heading "Staff Turnover", which is worthy of note. There is some satisfaction taken there in the fact that the separation rate in the civil service is only 10.5 per cent. However, sir, there is the disturbing sentence further on which reads as follows:

—turnover is not a problem in the civil service, except in a few highly specialized classes—

I would ask in the light of—

Mr. Bell (Carleton): Would the hon. gentleman read on?

Mr. Matheson: Yes, I will read the rest, which is as follows:

—and is only a fraction of that for business and industry in general.

Is that as far as the parliamentary secretary would like me to go?

Mr. Bell (Carleton): Yes. The hon. gentleman was leaving out the last part.

Mr. Matheson: Yes, I was referring to what appeared to me to be the whole reason for the paragraph; that is, that there appears to be some concern on the part of the chairman that in certain specialized classes there is a higher separation rate than 10.5 per cent.

Mr. Bell (Carleton): Yes, and the next sentence says that it is only one quarter of the rate for Canadian finance, insurance and real estate companies generally in Canada.

Mr. Matheson: Yes, that is so, but I do not think we are particularly concerned about the problems of industry. Addressing myself to the comment of the parliamentary assistant I would say that there was a time when Ottawa was a great magnet for people highly qualified in the field of finance and economic theory as well as public administration. I think of great teams that were developed under Skelton and Clark and others. We still have our Department of Finance but somehow or another it seems to have lost its force.

Mr. Brunsden: They are still coming.

Mr. Matheson: That is the question. Are they still coming? How many Ph.D.'s have come to Ottawa in the years 1957, 1958, 1959, 1960 and 1961? Are these people being brought here now? If they are being brought here are they simply silenced and put into departments or are they actually being heard—heard not on the public platform but heard by the ministers? Are they being heard by the parliamentary assistant? Does this administration really want "all the brains" of these highly qualified people? Do we have enough of these trained and specialized people? Some of them like Dr. Galbraith are slipping off to be of great service to the United States and to work in industry. Does the chairman of the civil service commission find it possible in any way to take advantage of the excellent academic material that we have in some of our faculties? Is advantage being taken of the splendid school of economics we have here in Ottawa and that other one, perhaps more distinguished if I may say so, which is only a hundred miles away, Queen's University? Is advantage being taken of these great schools? At a moment of critical change in the world we appear to be without any over-all economic policy or purpose.

Mr. Brunsden: Mr. Chairman, one could wish that a debate of this kind respecting so many people could transcend politics. The last speaker has made it very definite that he is speaking from a political angle. I refuse to believe that the civil service is bereft of new recruits from the colleges of Canada. I believe that the young men coming into the civil service today are as capable, as intelligent, as ambitious and as worthy as those of yesteryear. I resent very much the last speaker's suggestion that by virtue of this government being in office we have had an outflow of that type of civil service personnel which we need.

Mr. Matheson: Mr. Chairman, on a question of privilege, I think the record will indicate that I made no such assertion. I did not have the facts and was asking questions in regard to whether the able people we have in public service are being heard, and whether we have enough of them.

Mr. Brunsden: In regard to the question of privilege, Mr. Chairman, there has been one gentleman loudly heard in the last few days. I believe that this government is just as anxious as any previous government to maintain a civil service as great, conscientious, intelligent and hard working as that maintained by any other government. There seems to be a feeling that this government is out to destroy the civil service.

An hon. Member: Hear, hear.

Mr. Brunsden: I suggest that belief is incorrect. The civil service is an integral part of the operation of the government of Canada. The hon. gentleman to my immediate right came up through the civil service. There are times when I become very indignant with him, but he was trained there, as was his leader.

How do we obtain men of ability to serve not only in the civil service but also the government of Canada? I believe if we can infuse the youth and trained personnel of Canada into our public service—I say this with due recognition of the fact that many of my young friends in the gallery in future years may take our places in this chamber —we will have a much better Canada.

I say, sir, that Bill No. C-71 is a good bill and should be supported. It may have some clauses that may be debatable, but all bills have clauses that may be debatable. Let us transcend politics on this particular issue. Let us say to ourselves as members of parliament that we are determined to establish a civil service that will be faithful to all Canadians.

(Translation):

Mr. Denis: Mr. Chairman, just like the hon. member for St. Jean-Iberville-Napierville (Mr. Dupuis), and other members of the house, I regret that the Secretary of State should not be here to pilot a bill which comes under his department.

I would at least have expected the Postmaster General (Mr. Hamilton) to attend since several thousand postal workers come under the jurisdiction of the civil service commission. God knows how many meetings have been organized by those employees in the past two or three years to protest against their working conditions, the way they are being treated and the inadequacy of their salaries.

Mr. Chairman, since I have repeated it on several instances in the house, you are not without knowing that every time such protest meetings were held by the postal workers, the Postmaster General was as conspicuous by his absence as he is this afternoon.

How many times have we asked the Secretary of State to see that some salary adjustments to which the civil servants are entitled, be made, when it was finally decided that they should get a salary increase.

You know, Mr. Chairman, that salary increases have been granted by bits and parcels over a period, so that some classifications have obtained their increase before others. They had been entitled to it for a long time.

Now we are today on a discussion of a bill which not only favours the government but the civil servants as far as working conditions and salaries are concerned. Unfortunately, in spite of protests they have made over the years, in spite of representations made in this house by members of the opposition, nothing has been done in this bill to give justice to those who have obtained salary increases some time after other classifications.

Another matter I wish to raise is the fact that federal civil servants cannot take advantage of statutory holidays which fall on legal holidays or on Saturdays. I think that, at last, a section of this bill grants them what we have been asking on their behalf for a long time. But I especially want to emphasize clauses 62 and 63—

Mr. Chairman, you hear the croaking on the other side of the house.

The Chairman: If those conversations annoy the hon. member I shall have to ask hon. members to keep quiet.

Mr. Denis: I note the remarks made by the hon. member for Roberval (Mr. Tremblay). He is now sitting on the other side of the house. Perhaps he has been punished? Or could it be that he seeks to get closer to the government officials, to the whip, or to the parliamentary secretaries?

I wonder if he is not looking for a department? Personally, I doubt that the government will waste its time considering such a request.

In any event, he is a friend of the Union Nationale. Perhaps he is complaining because he has not had his share of paint? We will try to see to it.

Let us disregard those rumours that are gone with the wind. I am now coming back to the matter before us, in order, if possible, to protect the employees of the civil service commission.

For several years a certain group of those employees has more particularly been complaining. I mean part time employees who do not seem to be protected by this bill.

If I understood the parliamentary secretary rightly—and I suppose that he will, later on, throw some light upon the subject—statutory leave at this time only applies to regular employees; under the present act, part time employees do not enjoy this privilege.

Not only do they not enjoy statutory leave, but they do not get annual leave such as is granted across the country, except by this government.

The government should set an example of fairness in its treatment of its employees, whether full-time or part-time.

If there are people who deserve the sympathy of the government, it is those who, being unable to find a full-time job, have to work part-time.

Such as it is, the act does not provide statutory leave for part-time employees.

If required to work on legal holidays, they get no extra pay for it. If they do not work on those days, they are simply not paid.

I come back to the question that two or three other members and myself have raised during this session as well as during previous sessions. We have asked the government whether it would not take the necessary steps to remedy the situation and put an end to this unfairness.

Recently, the hon. member for St. Henry (Mr. Lessard) asked a question on that point. I have asked one myself. The hon. member for Russell (Mr. Tardif) made a speech along those lines. He suggested that the part-time employees should at least receive a percentage of their salary to compensate for the loss of their holidays.

I know that in the province of Quebec, employers grant their part-time or regular employees 2 per cent of their salary to compensate for the loss of holidays.

Yesterday, several questions were asked to the Secretary of State. He first replied he was not the only one dealing with the matter, that it comes under various departments. After being asked the same question repeatedly, he finally gave the following answer, which I quote from page 1 of the appendix to *Hansard* for July 11, 1961:

> Mr. Speaker, I should like to supply some information in reply to the questions which were directed to me recently concerning the advisability of granting paid leave to part time employees. Generally speaking, the government—and this includes the civil service commission—has followed the policy of granting regular leave only to full-time civil servants. A thorough review of that policy is now being made. The new policy we are now considering would be aimed at granting leave to all employees on the basis of their period of employment. When the civil service commission has completed its study of the matter, the house will be informed of the way in which this principle would apply.

We are now considering a bill concerning the civil service. Why should we wait until we have passed upon that bill to look after such an important group of citizens as part time civil servants?

After four years, it is high time that the government stop carrying out studies and endlessly reconsidering the matter.

It is high time, Mr. Chairman, that the government stop considering only matters pertaining to the department. It should put a stop to this endless reconsideration of questions.

In my opinion, since we are now considering a bill concerning the civil service of Canada, the Secretary of State, who is not here today, should not have said yesterday, when he was asked questions concerning leave with pay for part time employees, "that the matter will be taken into consideration".

Why has he not considered that matter in the past two or three years or even since his party came to power, that is four years ago?

The Conservatives promised to correct all past wrongs, even those which existed under Mr. Bennett.

I will say that what was not done during 22 years, was not accomplished either by Sir John A. Macdonald.

If the government starts justifying its bad administration by accusing previous governments, we will be going back to Adam and Eve, Cain and Abel.

There has been some talk about a general election. The sooner, the better for the Canadian taxpayer.

Instead of blaming previous administrations for their shortcomings, I hope the present government will have the courage to say what it did during four years.

Mr. Pigeon: Would the hon. member permit a question?

Mr. Denis: No, Mr. Chairman.

Mr. Pigeon: You are afraid to reply?

Mr. Denis: No, Mr. Chairman.

Mr. Pigeon: Shame.

(Text):

Mr. Bell (Carleton): Mr. Chairman, the mood of the committee this afternoon is a very pleasant one although I have known it, on occasion, to be somewhat more relevant. However, of that latter aspect I do not complain because I am sure that at least the civil servants in Ottawa will understand that perhaps this bill is, in some respects, the victim of other circumstances on parliament hill.

At this stage of the discussion, sir, of this very significant legislation, I doubt if any really useful purpose would be served by any extended references on my part to the very many things which have been mentioned by hon. members on all sides of the committee. On each of the clauses of the bill there will be an opportunity available to make comment in relation to what has been said. I think it would be more appropriate to do so at those times. I wish, sir, to join with hon. gentlemen on all sides of the house who have referred to the high competence with which the hon. member for Inverness-Richmond presided over the special committee. He displayed a deep knowledge of the Civil Service Act, judicial impartiality and a skill in presiding. It was a real pleasure for me to participate in the work of the committee because I feel that all hon. gentlemen recognized the vital importance of the task and approached it with a genuine objectivity and, in almost all cases, on a nonpartisan basis.

The maintenance of high standards in our public service, the preservation and improvement of the merit system, the maintenance of the independence of the civil service commission itself, the continuing improvement in the conditions of public service employment, these things are of the very essence, the very lifestream of our whole system of government. Adequate compensation based upon the principle of a fair comparison, conditions of employment to equal at least those of commerce and industry is essential if a civil service career is to be as rewarding and satisfying, as attractive as a professional or business career. I believe that a career in the Canadian civil service must have a status and respect that will be an incentive, a stimulus to young Canadians, dedicated in the sciences and the professions, in administration and in other basic fields.

Yesterday in the course of his speech, the hon. member for Edmonton-Strathcona used some phrases which might well be wrenched out of context to create an impression which I hope he did not intend to leave. Some of those phrases could cause deep misunderstanding among many dedicated civil servants. He spoke of there being too many barriers between the taxpayers and the civil service; of civil servants seeking to ram things down the throats of ordinary citizens. I will not use the various other phrases. If his words are to be taken literally, then I can only say his experience is very different from mine. During my 25 years in the practice of law and in public life I have had to deal with civil servants at all levels and on an almost daily basis. I say without hesitation that I think I have perhaps had more contact with more civil servants over a longer period than probably any other member except the hon. member for Bonavista-Twillingate and possibly the hon. member for Ottawa West. I have found, almost without exception, unfailing courtesy, genuine helpfulness, a genuine desire to be of service and a real dedication to the job. Those are qualities which I think have not been exceeded by the employees of any private employer.

It would be idle for anyone to assert that the civil service is in a state of Utopia. Abuses do, of course, occasionally arise in personnel administration and otherwise. I do assert, however, with the greatest confidence that they are very much the exception and not the rule.

Hon. gentlemen on all sides of the house have spoken of this new bill as a considerable improvement on the bill in its form at second reading and as it was sent to the special committee. With that view, I most decidedly agree. I think the committee, in this respect, made a considerable improvement upon the bill that was given second reading. I believe the bill itself is a considerable advance over the old Civil Service Act. Within the new framework which we have in this bill, I believe we can build, wisely, effectively and efficiently, not only in the interests of the civil service but of Canadians generally.

There have been many questions asked during the course of this rather long debate. I submit all these further matters which require elucidation may be dealt with under the individual clauses. I point out to the committee, of course, that this bill has had a very exhaustive, very detailed study in the special committee to which members on all sides of the house have contributed very effectively.

Clause agreed to.

On clause 2—*Definitions.*

Mr. Richard (Ottawa East): During the discussions in committee, the civil service federation of Canada stated that several years ago the national joint council recommended that the principle of the payment of shift differentials be instituted. This is the normal practice in industry and should be applied to the civil service. At that time they were informed that, in the opinion of the Department of Justice, such payments could not be made under the old act. It is for that reason I wish to move, seconded by the hon. member for Ottawa West:

Under clause 2, subclause (a), add a new paragraph (iii):

(iii) by reason of duties having to be performed by employees during any shift other than a straight day shift.

Mr. Bell (Carleton): This deals with a matter which was discussed in the special committee at least on two occasions. On the final occasion on which it was discussed the committee had before it the clear cut opinion of the draftsman of the bill, namely the deputy minister of justice, that provision was now made for the payment of shift differentials and that it was unnecessary to have any amendment to give that authority. That authority will now be provided through the provisions of clause 12 of this bill which is drafted specifically, in its final paragraphs, to cover such circumstances. I quote:

—or such other rates as may in any special cases be appropriate.

It is also covered by the provisions of the Financial Administration Act which under the old Civil Service Act were overridden but which under the new act will not be overridden. The situation therefore is that the amendment is completely unnecessary as providing for something in respect of which the existing bill makes provision and in respect of which the committee had the specific and definite opinion of the deputy minister of justice. Consequently I would suggest to the committee that the amendment, being unnecessary, be not accepted.

Mr. Richard (Ottawa East): Of course, Mr. Chairman, I should like to rely on the opinion which has been given by the parliamentary secretary to the Minister of Finance.

Mr. Bell (Carleton): It is not his opinion; it is that of the deputy minister of justice.

Mr. Richard (Ottawa East): I refer to the opinion that the hon. gentleman expressed. If that is the case and if that is the undertaking, of course, I would be quite satisfied. However, that was the matter that was raised in the committee; and I thought it would be much better for it to be expressed in the committee of the whole here this afternoon than just in the special committee so that it would be understood clearly that such was the opinion, namely that this provision is already made in the bill. Therefore under the circumstances I would be very willing to withdraw the amendment.

The Chairman: Does the committee give to the hon. member leave to withdraw the amendment?

Some hon. Members: Agreed.

Amendment withdrawn.

The Chairman: Shall clause 2 as amended by the committee carry?

Clause agreed to.

Clauses 3 to 5 inclusive agreed to.

On clause 6—*Powers and duties.*

Mr. Richard (Ottawa East): I move that paragraph (c) of clause 6 of Bill No. C-71, be amended to read as follows:

(c) at the request of a deputy head or on its own initiative report upon any matter pertaining to organization and employment in the department.

The Chairman: I assume that amendment would be to replace the present paragraph (c) by this one?

Mr. Richard (Ottawa East): That is right.

Mr. Bell (Carleton): This again was a matter which was carefully considered by the committee and upon which the opinion of the deputy minister of justice was obtained. The opinion of the deputy minister of justice, which is given at page 495 of the minutes of proceedings and evidence of the committee of Friday, June 16, clearly indicates that it is unnecessary to add these words in order to accomplish the purpose—and, I may say, the laudable purpose—which the hon. gentleman has in mind. In his opinion as the draftsman of the bill this matter is covered by the generality of the words in subclause (b). In other words, the position of subclause (b) is that the commission has the power to—

—report to the governor in council upon such matters arising out of or relating to the administration or operation of this act and the regulations—

Those words are of a general character. Subclause (c) provides for a different situation. Subclause (c) permits the deputy head to ask the civil service commission to report upon any matter pertaining to organizations and employment in the department. However, in the opinion of the deputy minister of justice subclause (c) does not in any way restrict the generality of the words in the opening part of subclause (b) and in his opinion it consequently was unnecessary.

Being unnecessary I venture to suggest to the committee that the amendment be not adopted.

Mr. McIlraith: I think the parliamentary secretary has correctly and accurately stated the position taken in the special committee dealing with this point and that his reference to the opinion given by the deputy minister of justice is quite correct. However, it seems to me that this is another one of those points or places in the bill where it is important to make it clear that the commission is independent and not merely enabled to act at the request of the government or the minister as the case may be. There are in the bill several places where that point becomes important and this is one of them. While I am not going to put myself in the position of saying that the deputy minister of justice is wrong in his legal opinion—I should be very reluctant to do that—I think his interpretation of the clause is rather generous to the point of view expressed by himself and by the parliamentary secretary to the Minister of Finance. Certainly I can see no possible harm that the proposed amendment would do. It enlarges and makes more certain the right of the commission to act independently and on its own account in this respect. For that reason I should like to see the amendment put so that the committee will be aware of exactly what the point is. I think it is useful to raise these points as the clauses are discussed because it will be useful in dealing with the act and regulations that will flow from the act in years ahead.

Mr. Bell (Carleton): Mr. Chairman, may I say that it is clear that in the structure and intention of the bill there is the desire that the civil service commission may on its own initiative report in respect of those matters which pertain to organization and employment in the department. There is no question that this is the intention of the bill. The opinion of the deputy minister of justice is that the power so to do is fully and amply provided in the first part of subclause (b).

The Chairman: Shall clause 6 carry?

Mr. McIlraith: Mr. Chairman, I wish to answer the parliamentary secretary to the Minister of Finance, if I may. He says it is clear that in the structure of this bill the commission has the power to report on this subject matter. He says that is the intention of the bill. That is the very distinction I wish to make. It was undoubtedly the intention of the government in submitting the bill that this should be so, but I am not satisfied that it is clear in the actual language of the bill before us. It is to make it clear that the bill before us, as drafted, does what the government intended in submitting the legislation, and what I understand to be the wishes of the special committee, that I raise this point.

We are not at cross purposes in this matter. In other words, we are not at cross purposes as to what was the intention as to what was to be done in this respect, but it is a question as to whether this clause of the bill adequately expresses that intention. When the parliamentary secretary says it is the intention of the bill I wish to be very sure it is the intention as expressed in the language contained in the bill, and not just the intention of parliament in enacting the bill or of those who were concerned with putting it forward. That is my point.

Mr. MacLellan: On this point, Mr. Chairman, I wonder whether the hon. member for Ottawa West has considered the fact that this amendment could in effect reduce the effectiveness of the clause.

What is provided in the bill under clause 6 (b) and (c) is that there shall be three situations where the commission shall report to the governor in council. The first situation is in any case where they deem it necessary or desirable, as the words are used in the clause. This is very broad. They can report on anything they wish. The second situation is, at the request of the governor in council they shall report upon any matter pertaining to organization and employment in the public service. There is a third situation. That is, at the request of a deputy head they shall, even if they do not wish to do so on their own initiative, report upon any matter pertaining to organization and employment in the department.

I wonder whether the hon. member for Ottawa West has considered that if the words suggested in this amendment were inserted here, "at the request of a deputy head or on its own initiative report on any", and so on, this might narrow down the first situation where they could report; that is, in any situation where it is desirable. Then the two subclauses might be read together as meaning that the commission had only the right to report on its own initiative with regard to the organization and employment in the department.

Does the hon. member not think the first authority of the commission is as wide as it could possibly be and there might be a danger of narrowing that authority by this amendment? I think the present clause expresses our wishes very clearly.

Mr. McIlraith: Mr. Chairman, in reply to the hon. member for Inverness-Richmond, I have considered the very argument he has

raised and I have come to the conclusion that since the amendment is in (c) it does not in any way cut down what is expressed in subclause (b) of clause 6. It does not in any way restrict it. It may be argued that it does not extend it—I will grant the hon. member that argument—but certainly it does not restrict it in any way. Whatever effect it has —I submit respectfully—it certainly does not restrict the effectiveness of the clause. The effect of the amendment is to enlarge and clarify and in no circumstances could it be construed as restricting the authority of the commission.

Amendment (Mr. Richard, Ottawa East) negatived: Yeas, 15; nays, 52.

The Chairman: I declare the amendment lost. Shall clause 6 carry?

Clause agreed to.

On clause 7—*Consultation with staff organizations.*

Mr. Richard (Ottawa East): Mr. Chairman, during the sittings of the committee one of the clauses that was discussed at great length and with regard to which there was most disagreement was clause 7. Even with the amendment submitted by the Minister of Finance as a last resort it is felt that this procedure is not sufficient, namely consultation. Therefore I wish to move the following amendment:

That clause 7 as amended by the special committee be struck out and the following substituted therefor:

7 (1) The commission, and such members of the public service as the Minister of Finance may designate, shall negotiate directly with representatives of appropriate organizations and associations of employees of the crown, with respect to pay and other terms and conditions of employment, at the request of such representatives, or wherever in the opinion of the commission or the Minister of Finance, as the case may be, such negotiation and consultation is necessary or desirable in the interests of the civil service or the government. Such direct negotiation and consultation shall be initiated by either the governor in council, its appointees, or the appropriate staff associations and organizations noted above.

(2) Where negotiation does not result in agreement, the matter under dispute shall be taken to an arbitration tribunal by either party.

(3) The results of such negotiation and/or arbitration shall be proclaimed by a suitable instrument, where necessary subject to the approval of parliament.

Mr. Chairman, it will be understood that this amendment is in substitution of the present clause 7.

The Acting Chairman (Mr. McCleave): Order. Mr. Richard (Ottawa East) moves that clause 7 as amended by the special committee be struck out and the following substituted therefor. Shall I dispense with the reading of the motion?

Some hon. Members: Agreed.

Mr. Peters: Mr. Chairman, this amendment, with which I agree, is the crux of this whole discussion and probably represents the major objection which is taken to the present bill. Clause 7 is in effect the argument, the disagreement and the basis of the whole bill. If the bill is accepted as it is, it will mean that civil servants will not have the right to know with whom they will negotiate for the purpose of reaching collective agreement. It will mean that they will not, in effect, have an agreement. They will still have to continue to follow the inefficient and ineffective means by way of indirect negotiations which have been available up to now. Obviously, if the government really wished to be progressive in its outlook this is the place where it would have given consideration to its employees. I do not disagree with the government's position in asking for a certain leeway in dealing with some of its top employees, though I violently disagree with the methods used in disposing of some of those employees. However, I think there is a level at which the government could ask for certain considerations beyond what is commonly known as a collective agreement.

I think the civil servants in Canada have now reached a stage where they have sufficient experience in negotiation to expect that a formal method of negotiating working conditions should be set up as a result of which the decisions reached could be expressed in a collective agreement. I see no reason why the government should be interested in inserting into the bill such a clause as this providing for indirect negotiations. We already have on the statute books the Industrial Relations and Disputes Investigation Act which sets forth a formal system of negotiation. Some of the civil servants, and I am thinking of those in one particular organization, believe that the existing act is satisfactory. They believe it is in keeping with their status—that they are white collar workers and do not want to negotiate and bargain. This is not true, however, of the majority of civil servants. It was pointed out by one of those organizations, the association of postal service employees in particular, that they wish to enjoy the full benefits of negotiation and operate directly under the Industrial Relations and Disputes Investigation Act. What the amendment means is that the employees themselves want the right to negotiate directly. They want the right to go to an impartial arbitration board. They want to end up with a contract which

will give them certain conditions of employment, wages, opportunity for advancement, holidays and so on. They want this in black and white.

We have suggested that there might be two or three stages of negotiation. We have suggested that the civil service commission itself could, in the first instance, take to the governor in council the wishes and representations of the associations representing the civil servants but that once it has made this presentation, which must of necessity be public knowledge, they should step out of the negotiations, having made their recommendation. Then the employees themselves will be able to negotiate directly with the government.

Whenever people have opposed the idea that there should be direct negotiations with the government, they have always raised the question of possible strikes. What would happen, they ask, if the employees and the government reached a stalemate and it resulted in a strike? After examining the present act I am of the opinion that if any group of civil servants wished to go on strike there would be nothing in the law to prevent them. I think it should also be pointed out that most civil servants have not asked for the right to conduct a strike against the government. They have, however, asked for the right to conduct direct negotiations with the government or its representatives, the treasury board or some other organization. Mr. Chairman, do you want me to cut off now?

An hon. Member: Yes.

Mr. Argue: You finish your speech. There is no hurry. It may be your last.

Mr. Peters: I realize the hour is getting late, but I should like to conclude by making a strong appeal that the government should reconsider this clause. This is the clause which will determine whether civil servants are to be emancipated or not. It seems to me that civil servants should have a collective agreement which would clearly set out both their rights and the restrictions imposed on them. There are obligations imposed under a collective agreement but there are also privileges, and both employer and employees should know exactly what these are.

Let us take an example. If we read the act we find that as part of this collective agreement the employee of the government has certain holidays and those holidays are days for which he is entitled to payment. Then we read what the Postmaster General had to say on June 27 about a holiday on July 1. July 1 fell on Saturday. It is true that Saturday is not a normal working day for most civil servants. But that is true with regard to workers throughout this country in organized labour and they do not always decide that July 1 will be declared to be a holiday on such and such a day for pay purposes. It is considered to be an inherent right that they are entitled to a number of days and if they do not work that day they get paid for it. If they work that day they are entitled to be paid twice the amount of their regular earnings, and it seems to me that this government, by using a technicality, is depriving the majority of civil servants in this country of their holiday pay in respect of that holiday. No doubt it is being done legally, but I believe that if we sit down in all honesty to negotiate a contract and it is said that the workers are going to get a holiday on such and such a day and that if they work on that particular day they will be paid with respect to it, if that day falls on a Saturday or a Sunday you should not rub your hands with glee and say: well, this is going to save the government a little money, it is unfortunate that it does not happen more often. It is true that for the next 20 or 30 years it will only happen on two or three occasions that July 1 will fall on a holiday, but I think that these should be conditions of employment which should be negotiated directly with the employee organizations. A collective agreement should be arrived at. For these reasons I hope the government will reconsider this clause and make provisions for direct negotiations.

Other countries such as Great Britain and Australia—almost every country which has had a long history of democratic dealing with its employees—recognize that civil servants have certain rights and liberties, that they have, finally, the right to apply to arbitration so that the settlement of their differences may be reached in a formal impartial manner. It appears to me that in Canada we should not wait for an evolutionary period such as took place in England before coming to this conclusion, but should take an intelligent approach taking advantage of the experience of other countries.

I completely endorse the amendment. I hope the government will give full consideration to it and that when we again discuss this matter we will be discussing a formal agreement enabling workers to negotiate with employers directly to arrive at a conclusion or agreement upon which the worker can operate. If we do not reach that stage the worker will always be under the threat of having regulations governing his conditions of work which he may never see, never be aware of, and never have the opportunity of making a decision in respect to it.

The Acting Chairman (Mr. McCleave): Perhaps at this point for the information of hon. members who have copies of the amendment I should read the preamble, which is as follows:

Mr. Richard (Ottawa East) moved that clause 7 as amended by the special committee be struck out and the following substituted therefor:

Mr. Bell (Carleton): Mr. Chairman, as I understand the stage at which we are in the proceedings of the committee of the house, it is not possible to put before the committee a detailed presentation in respect of this amendment.

The position, as the committee knows, is that the original proposal as advanced when the bill was introduced, was a very great advance over anything that had previously been in vogue in civil service administration. The amended proposal of the Minister of Finance which is now before the committee of the whole is one which again is a very considerable advance, and one which I think would accrue to the benefit of civil servants generally.

Mr. Chairman, in view of the fact that I understand it is the desire to move that the committee rise I am sorry that is all I have the opportunity of saying at this time. However, when the committee resumes I would consider it a privilege to discuss this whole matter in detail.

Mr. Pickersgill: Mr. Chairman, on a point of order does the motion made in this way by the hon. gentleman kill the bill?

Mr. Churchill: The hon. gentleman is asking the committee to rise and report progress.

Mr. Bell (Carleton): I have made no motion. I understand the house leader is about to do so.

Mr. Pickersgill: I beg the hon. member's pardon.

Mr. Churchill: Mr. Chairman, that was just a preparatory statement. After consultation with hon. gentlemen on the other side of the house it seems wise to rise and report progress now and then consider interim supply, so I would now move that the committee rise and report progress.

Progress reported.

SUPPLY

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

INTERIM SUPPLY

Mr. Churchill (for Mr. Fleming, Eglinton) moved:

Resolved, that a sum not exceeding $1,045,379,927.94, being the aggregate of

(a) one-quarter of the total of the amounts of items set forth in the main estimates for the fiscal year ending March 31, 1962, laid before the House of Commons at the present session of parliament, $922,235,223.75;

(b) one-third of the total of the amounts of items 99, 141, 148, 195, 196 and 197 of the said estimates, $271,666.67;

(c) one-sixth of the total of the amounts of items 16, 101, 154, 204, 208, 209, 210, 212, 214, 218, 222, 223, 228, 337, 342 and 396 of the said estimates, $4,271,818.84;

(d) one-twelfth of the total of the amounts of items 156, 158, 251, 284, 360, 365, 368 and 400 of the said estimates, $3,591,936.92;

(e) seven-twelfths of the total of the amounts of the items set forth in the supplementary estimates for the fiscal year ending March 31, 1962, laid before the House of Commons at the present session of parliament, $88,926,648.41;

(f) one-third of the total of the amounts of items 516 and 527 of the said estimates, $1,181,383.34;

(g) one-quarter of the total of the amounts of items 514 and 590 of the said estimates, $12,515,000.00;

(h) seven-twelfths of the total of the amounts of the items set forth in the further supplementary estimates (1) for the fiscal year ending March 31, 1962, laid before the House of Commons at the present session of parliament, $11,844,583.34; and

(i) one-third of the total of the amounts of items 605 and 606 of the said estimates, $541,666.67; be granted to Her Majesty on account of the fiscal year ending March 31, 1962.

He said: Mr. Chairman, just so hon. members of the house will kow the procedure at this moment we are undertaking to study interim supply in the hope that we might complete that this evening so the house might adjourn. That is the purpose of bringing this forward at this stage on rather short notice. The proposed bill will provide in respect of the main estimates for 1961-62 (a) one-quarter of the items to be voted in these estimates amounting to $922,235,223.75; (b) an additional one-third of votes numbered 99, 141, 148, 195, 196, and 197 to a total of $271,666.67. Those are shown in schedule A of the bill.

Then (c), an additional one-sixth of votes 16, 101, 154, 204, 208, 209, 210, 212, 214, 218, 222, 223, 228, 337, 342 and 396 to a total of $4,271,818.84. That is shown in schedule B of the bill. Then (d) an additional one-twelfth of votes 156, 158, 251, 284, 360, 365, 368 and 400, to a total of $3,591,936.92. That is shown in schedule C of the bill.

In respect of supplementary estimates for 1961-62 the bill provides for (e) seven-twelfths of all of the items to be voted in those estimates for a total of $88,926,648.41 plus (f) an additional one-third of votes 516 and 527, shown in schedule D of the bill, for a total of $1,181,383.34 and (g) an additional one-quarter of votes 514 and 590, shown in schedule E of the bill, for a total of $12,515,000. In respect of further supplementary estimates (1) for 1961-62, the bill provides for (h) seven-twelfths of all of the items to be

voted in those estimates for a total of $11,844,583.34 and (i) an additional one-third of votes 605 and 606, shown in schedule F to the bill, for a total of $541,666.67, the grand total being $1,045,379,927.94.

The proportions requested in this bill are intended to provide for the necessary requirements of the public service during August, September and October, 1961. In no instance is the total amount of an item being released by this bill. The form of the bill is the same as that of similar interim supply bills passed previously. The passing of this bill will not prejudice the rights and privileges of members to criticize any item in the estimates when it comes up for consideration in committee of supply and the usual undertaking is hereby given that such rights and privileges will be respected and will not be curtailed or restricted in any way as the result of the passing of this measure.

Mr. Benidickson: Mr. Chairman, I take it that this motion is made on the basis that parliament may not be sitting within the period contemplated by the motion although I imagine that perhaps it might be reconvened earlier. I only wish to say that an unusual procedure has been adopted. The leader of the house, the Minister of Veterans Affairs, is representing the Minister of Finance today. To me this seems unusual.

Mr. Churchill: It is for a very temporary period.

Mr. Benidickson: I would have expected that the very competent parliamentary secretary to the Minister of Finance would have made these comments in the absence of his minister. As I heard the minister, the reservations as to the rights of members of parliament with respect to every item in the book of estimates are the same reservations that have always been given on interim supply. Do I have the assurance of the Minister of Veterans Affairs?

Mr. Churchill: That is correct.

Mr. Benidickson: On that basis we have no quarrel with this measure. Under some votes extraordinary expenditures are required in the next two or three months and in those instances the percentage of the total amount now being asked for is somewhat greater. In other words, no over-all average percentage applies to all the items for which interim supply is being requested. That course has our entire approval. So far as the possibility of adjournment is concerned, it was indicated clearly yesterday by the hon. member for Essex East that we on this side were prepared to sit here as long as the government was prepared to advance matters of current necessity and emergency. That was discussed yesterday.

Mr. Argue: Mr. Chairman, this is the 157th sitting day of this session.

Mr. Brunsden: Are you tired?

Mr. Argue: I believe this is the longest session in the history of the country. We assembled in November ostensibly to begin a session that would be concluded in the early summer but as time has gone on it has become obvious that the session could not be concluded even by mid-summer. The government will, of course, have its own reasons for saying that the session has been unduly delayed. I think the main reason why the session has continued so long is the fact that the government is an incompetent government that has failed to meet the many urgent economic problems facing the people of this country and today this government does not have the confidence of the people of the country. It has failed in every way to deal with every single economic problem facing the people of the country.

Mr. Brunsden: Mr. Chairman, on a question of privilege, the hon. member is making a political speech—

The Acting Chairman (Mr. McCleave): The hon. member for Assiniboia.

Mr. Argue: There is widespread unemployment, inadequate agricultural prices, failure to provide a social security system even though the government's commitments in this regard are clear and failure to bring forward financial and economic policies to improve economic conditions. I would say that at this time Canada is probably the most mismanaged country in the world, the most incompetently mismanaged country in the world.

The government is in great trouble because it has failed to be consistent. It has failed to take a straighforward course and has used devious, underhanded methods to deal with situations instead of dealing with them straightforwardly as an honourable government should do in a democratic society.

We are asked this afternoon to provide interim supply for August, September and October. There is no indication when the government wishes parliament to resume. They are asking for three months' interim supply when all reports today have been that parliament would reassemble in September. The government has run into serious trouble in the economic field. It has run into serious trouble in the management of events in the House of Commons.

One of the many reasons why this session has been prolonged is the fact that the government has not had a clear-cut program of public business ready to deal with the crisis but has gone on piece by piece, bit by bit, introducing one small measure after another and sometimes following the course of filibustering its own legislation.

Mr. Churchill: You have been away too much.

Mr. Argue: The house leader says I have been away too much, and this from a spokesman of a cabinet the members of which have been away most of the time. The Minister of Agriculture is so seldom here that when we have questions to ask him we have to ask them of someone else.

An hon. Member: He is selling wheat.

Mr. Argue: The attendance of the opposition has been excellent this session—

Some hon. Members: Oh, oh.

Mr. Argue: —and we have been giving a good account of ourselves. We are adjourning this session at a time when western Canada faces a drought, a national disaster. The government has no policy, no program, has announced nothing of an adequate nature to meet the very serious income deficiencies that are bound to affect the prairie provinces.

Mr. Brunsden: I rise on a point of order, Mr. Chairman. The hon. member says we have no program. The government has a very excellent program which has been acclaimed in western Canada. If the hon. member would take his seat while I am speaking—

The Acting Chairman (Mr. McCleave): The hon. member has not raised a point of order, but rather a point of debate. The hon. member for Assiniboia.

Mr. Argue: This is another phony point of order from a member of this house who probably should be more concerned about doing something because the widespread crop failure will probably be greater in the constituency he represents than in any other. His constituency is likely to have a total crop failure even if rain should come within the next few hours. What does he do this afternoon? He gets up and makes claims that are not in accord with the facts, so far as I am aware, and which I am certain will not have the agreement of his constituents.

We need action by the government now to deal with this national disaster. The government may have its allies in doing so little. The head of the Saskatchewan retail merchants' association said the other day, why all this talk of disaster? He said, farm income is no more than 30 per cent of the income of Saskatchewan. A loss of 30 per cent of this income in Saskatchewan does constitute a disaster in the province and a disaster for Canada. If rain is not received in adequate quantities within the next few days—and I am glad to note there has been some rain in Manitoba and eastern Saskatchewan in the last few hours—this will be the greatest national disaster this country has seen since the end of the war and far greater by way of loss of income and total hardship although perhaps, for individuals, not as great as the Rimouski fire or hurricane Hazel or the Winnipeg flood.

This great national disaster facing the people of the three prairie provinces demands substantial action at this time. The government has announced it will pay part of the cost of moving feed grain. It has announced it will co-operate in the maintenance of the supplies of coarse grains that are now in the prairies. This is only a small part of the action which should be taken now. The government should be prepared to pay the full freight costs on cattle if it is necessary to move them long distances to pasture. I would suggest that the government should establish, not these national average support prices with deficiency payments that are such a hoax and which have meant so little in the last few years. The Prime Minister laughs. He can ask the egg producers how much they like these insignificant prices they received when egg prices have been so low. He can ask the hog producers if they have received anything from this program.

Mr. Harkness: The hog producers have been very happy these last few months.

Mr. Argue: We may soon find that out. Some of them have been happy with some of the marketings because this policy has been liquidating production. This is the only answer the government has to agricultural production. I suggest to the government that instead of using this deficiency average price—this is the kind of verbiage this government is good at putting into legislation—they should establish a floor price on cattle and hogs below which these prices are not allowed to go. The government should put in some floors, put in some guarantees and base these prices on a fair return to the farmer plus his cost of production.

I suggest further that there should be an income payment to farmers now, in addition to prairie farm assistance. In addition, if we are going to get this $1 an acre again that is always kept dangling, there should be a payment of $5 an acre from the national treasury where there is a total crop failure. The government always waits so long to make any announcement about this $1 per acre.

The government promised the people of western Canada that there would be a comprehensive system of crop insurance. The government introduced a crop insurance scheme which has been largely a failure. Very few farmers in western Canada have been able to take advantage of this scheme because they felt they could not afford the high premiums that went with this kind of so-called crop insurance. It is not working. If the government had fulfilled its promise to the Canadian people and if we had a crop insurance system that was working, then we would not have to ask the federal government now for special disaster payments out of the national treasury. We would have had an adequate program of crop insurance, and this we do not now have.

As a matter of fact, any farmer who asks for crop insurance must, in becoming eligible for crop insurance, forgo the benefits of the Prairie Farm Assistance Act. We need a crop insurance plan that is available not to a few small areas where there is little crop loss or little risk of crop failure, but one that can be applied universally to all farmers irrespective of the amount of risk involved.

Mr. Harkness: That is exactly what we have.

Mr. Argue: That is not what we have at all. The farmers who have the greatest risk have to pay premiums that they cannot afford to pay; that is what we have. You say to them, therefore, this is the best we can give you and we have to keep the Prairie Farm Assistance Act which we criticized for so many years.

Mr. Harkness: You are not talking about crop insurance at all; you are talking about some form of relief.

Mr. Argue: My hon. friend was so good as the minister of agriculture that the Prime Minister transferred him to another department. The farmers all said, wonderful; we are in favour of it. Now, if the government wants a defence program that has greater support in Canada, the best thing they could do would be to transfer the present Minister of National Defence. They should make him a rotating minister. This would be a sign of improved policy, any time he was dumped out of a department. He was the minister of agriculture, and he was a failure. He introduced this legislation which has been such a hoax and today when most of the farmers in western Canada face drought conditions and disaster with no crop insurance, he says the policy is good. They are being looked after. Well, Mr. Chairman, they are not being looked after. They are being condemned to a very inadequate income.

[Mr. Argue.]

This government is going to have an election one of these days. It will not be too soon for the people of this country. I am sure they will welcome the opportunity to express their opinion of a policy that has not worked, a policy that has failed. I suggest, Mr. Chairman, that the Prime Minister was right when he said the next election issue should be that of private enterprise versus democratic socialism. I think that is the best kind of issue on which to have the election. We accept this suggestion of the Prime Minister. The Liberals were over there for 22 years and they did such a terrible job that the people of the country decided there needed to be a change, and very rightly. Now, the Liberals have been supplanted by another free enterprise government that says, do not blame us; we cannot tell the automobile manufacturers of this country what kind of automobiles they should produce. We want to be so careful that we do not even want to advise them about anything. This government says, "We cannot do anything with private business; it is a law unto itself." All it can do is mismanage the financial and fiscal policies of the country but it cannot exercise any control over basic economic questions in this country.

We suggest this, Mr. Chairman, and the C.C.F. has stood for this for many years. The new party I believe, when it comes out of its founding convention, if it is to have a wide appeal to the people, as I am certain it will have, will be different from these old private enterprise parties. It must be different. It must present the people of this country with an alternative to the economic conditions and the economic slump and morass which this country now faces.

Some hon. Members: Oh, oh.

Mr. Argue: Many things need to be done, Mr. Chairman. Many of the things need to be done for which we have been campaigning for many years. One is the removal of some of the rackets in the country such as the racket of the small loans companies and the small loans sharks and the interest rates in the second mortgage field that are supported by the other political parties in this house. We suggest that something should be done about the drug racket and the high cost of drugs. We suggest that to do something about this matter requires government action and government control. We suggest that if this step seems necessary, as we believe it is, the government should take an active part in manufacturing basic and essential drugs as a means of bringing down their cost. We are suggesting that the social security system in this country is very greatly lacking.

Mr. Drysdale: Where?

Mr. Argue: We do not believe we have achieved a welfare state, as Social Credit tells us, or that is an impediment to our development. We are suggesting the welfare state should be developed much more. We are suggesting that we should have an adequate social security system. We are suggesting that our old people who retire in this country should not have to retire on a pittance of $55 a month and be condemned to an inadequate income and near poverty for the rest of their lives.

Mr. Drysdale: How much?

Mr. Argue: There should be a social security system based on a proportion of the average national income. There should be a portable system of pensions, and into this fund, which should be actuarially sound, should be paid contributions from employers, employees, the treasury, and the self employed and the pension should be a very minimum $100 a month. That is not too much in relation to the income of this country and in relation to what should be our standard of living.

We suggest also that there should be a full employment policy, that the answer to unemployment is jobs, and that the way in which to bring about jobs is through active participation by the government in embarking upon a great system of public works projects and public development. When the Liberals were in power they did a great deal in this regard. They had a number of inquiries. They had green book proposals. They had a shelf of public works. They put all the works on the shelf. They have left them there and this government has kept them there. Nothing has been done to implement the great public works projects that are necessary. I refer to projects in the field of highways, sewer and water installations, new schools, new hospitals, parks and the cultural centres and so on which are so necessary. Somebody says "provincial".

Mr. Drysdale: I said "fiddlesticks".

Mr. Argue: As long as we take the attitude that these things are the responsibility of the provinces alone, we take the attitude that Canada shall be condemned to continuing unemployment. In a country like ours which is a federation and which should be a co-operative type of federation or co-operative federalism, the federal government has the obligation of taking a leading role so that worth-while projects of this kind, admittedly in the main the responsibility of the provinces, can be brought forward and implemented.

This government is a private enterprise government.

Some hon. Members: Hear, hear.

Mr. Argue: Everybody applauds. They have been so consistently a private enterprise government that they are in danger of losing the election.

Some hon. Members: Oh, oh.

Mr. Argue: Everything they do that has any popular appeal at all is an interference with the so-called private enterprise system. They are bringing in amendments to the Industrial Development Bank Act. They are bringing in legislation making provision for the government itself to get into the field of trade, and this step we welcome.

An hon. Member: And housing.

Mr. Argue: Yes; and housing. If the government wishes to do something, it must in these measures turn its back on the philosophy which it announces with such great vigour in this House of Commons. There are those who have condemned public ownership in this past. This government is doing its best to tear down the crown corporations of this country.

Some hon. Members: Hear, hear.

Mr. Argue: "Hear, hear", they say. The government has been doing its best to tear down the C.B.C., and T.C.A., to interfere with the crown corporations that have operated in the interests of the people of this country.

An hon. Member: The Bank of Canada.

Mr. Argue: The Bank of Canada, somebody says, which is very much in the news is another instance of this government's interfering with the operations of public institutions.

In our judgment an increase in the field of public responsibility in the area of public ownership is not only desirable but absolutely necessary. We say, as I have already said, that in the field of drugs and in the field of the manufacture of farm implements the government should give consideration to an increase in public development. This does not mean nationalization.

Some hon. Members: Oh, oh.

Mr. Argue: Everybody says, "Oh, oh". This could mean federal money being invested either on its own or in co-operation with private business or in conjunction with co-operatives in developing these very important fields. Instead of Canadian Co-operative Implements Limited not being in a financial position to buy out Cockshutt when it had an opportunity to do so after the war, we suggest it would have been much better for a federal government of the day to offer the co-operative organization a type of partnership for the development of a manufacturing

farm implement industry owned in this case as a co-operative measure by the people of Canada and by the farmer-consumers involved. We had a farm implement inquiry. Some of us have made certain recommendations; but we suggest that, until the federal government takes an active role, farm implement prices will continue to rise.

The Prime Minister has been a great advocate of Canadianism. When he advocates Canadianism, I think it has a particular appeal to the people of this country. In order to bring about a measure of Canadianism I suggest it is time that, as a national policy, we embarked upon a program of developing this country in the interests of Canadians. I believe steps should be taken to remove this huge trade deficit with the United States, which means in fact that in exchange for imports of many millions a year Canada is steadily selling larger and larger chunks of her natural resources and her industries to investors from that country. Instead of Canada following a course of development more and more in the ownership and control of Canadians, we are going the other way; we are going backwards. Fifty-one per cent of the manufacturing industry of this country is controlled from outside our country; 75 per cent of the petroleum industry is owned outside our country; 97 per cent of the automobile industry; 98 per cent of the rubber goods industry.

We say it is time we embarked upon a policy of public development and of a repatriation of these industries to Canadians. We suggest that we shall never have complete and full independence in international policies; we shall never have the full respect of other nations in international affairs until we can demonstrate that we have embarked upon a policy under which our country is developed in the interests of Canadians and is not following a course in which a larger and larger part of this nation is owned and controlled from outside. Surely no one will argue that a country as wealthy as ours should be able to produce the kind of investment capital needed to put people to work, to provide ownership of Canadian industry.

Mr. Chairman, this government, by the very fact that this session is the longest in the history of this country, has proven itself inept. In my opinion the government is at an all-time low since the last election as far as support in Canada is concerned. We suggest that the people of this country need to be offered a real choice; a choice between mismanagement, free enterprise as defined by the government, and a program of public development and public expansion based upon democratic institutions and on control by the Canadian people.

Mr. Martin (Essex East): Mr. Chairman, may I ask the hon. gentleman a question? Will he not agree that the speech he has just made is a much abler speech than anything that could be done in that line by Mr. Thomas Douglas?

Mr. Argue: Mr. Chairman, I would welcome the opportunity in any part of the country to allow the public of this country to make their own choice, in answer to the question of my hon. friend.

Mr. Howard: Mr. Chairman, before the—

An hon. Member: Are you a candidate too?

Mr. Howard: I may be a candidate in a short while, depending upon when the "sooner or later" arrives.

An hon. Member: It will be later.

Mr. Howard: The hon. member for Assiniboia referred to the statement of the Prime Minister some months ago that the next election, whenever it does come, would be fought on the basis of private enterprise versus democratic socialism. I do not think that was what the Prime Minister really meant. I think he has had misgivings about that statement concerning the basis of an election campaign. Just the other day the Prime Minister said an election would be fought on the basis on Senate reform, and I understand he has now changed his mind about that and is searching for some other basis upon which to fight an election.

Mr. Speakman: From where do you get your information?

Mr. Howard: In raising this question of private enterprise and the detrimental effects of private enterprise upon the average citizen and upon the Canadian consumer I should like to deal with the aspect of it within which the drug industry, or the pharmaceutical industry, falls. I dealt with this subject on another occasion. I did not have the opportunity to go into it fully at that time because in the estimates of the Department of Justice the objection of the Minister of Justice to discussing a certain type of report was upheld. But this is now public property.

I think we must consider the drug industry as being entirely different from any other type of industry because the consumer relationship with the industry is not the same. We find that in fact what these free enterprisers on the other side of the house attach themselves to does not exist within the

ethical pharmaceutical industry. The relationship of the consumer is not with the industry; it is with his doctor. The relationship of the industry is with the doctor through advertising and every other means, and not with the patient or the final consumer of the drug.

We find that the consumer, or the patient, because of the uniqueness of the industry, is generally not knowledgeable with regard to the product he obtains. He does not know what it contains; he does not know how it is supposed to affect him, except in so far as the doctor tells him. He is dealing with a highly technical product, chemically named, with a highly involved nomenclature developed by the industry. The consumer really has no knowledge of what he is getting once the doctor writes out the prescription.

The consumer buys toothpaste. He knows generally what it is for. He buys an automobile. He has an understanding of its use and to a degree has information as to its full operation. If he buys a coffee pot or any other commodity such as that, his relationship with the industry is closer than it is with the drug manufacturing industry. Because of these unique characteristics the consumer has no effect whatsoever upon the price he pays for a particular product. There is no price competition in the ethical drug industry, either here or in the United States. This was discovered in the United States. I should like to quote briefly from the report of the Kefauver committee of the United States on the drug industry. The report is dated June 27, 1961. I wish to quote a small section of this report in order to indicate the attitude of the drug industry to price competition and how it really does not exist.

This is a quotation from the direct evidence of Mr. Francis C. Brown, president of Schering corporation, who said:

> Unlike consumer marketing, Schering cannot expand its markets by lowering prices. Cortisone proved this. After all, we cannot put two bottles of Schering medicine in every medicine chest where only one is needed, or two people in every hospital bed where only one is sick. Marketing medicine is a far cry from marketing soft drinks or automobiles.

That is, even though they use the same approach in so far as slick advertising is concerned to get across the brand name of the product to the doctor. The consumer restraint on corporate price fixing that may exist in other industries is not available in the drug industry. The consumer can have no effect whatsoever upon the prices the drug industry establishes, (1) because of the attitude of the industry which I just read and (2) because of the fact that the consumer has no direct relationship with the industry itself. His relationship is through a professional person, a doctor.

Competition does not exist, and it is relatively impossible for it to exist, in the pharmaceutical industry because of the uniqueness of that industry. This again was indicated in the gentleman's comments before the Kefauver committee which I just read. Corporate conscience, if there is such a thing in the drug industry, could have some bearing on prices; but again the statement I have just read—and the evidence is full of similar statements—indicates that there is no corporate conscience in the pharmaceutical or drug industry. Its whole concern is to rake off the highest possible prices it can and make the highest profit possible on sickness and on illness and to gouge the consuming public to the fullest possible extent. This is the attitude which the drug industry has stated before the Kefauver committee, the answer which it has stated publicly in this regard.

How, then, do we protect the consumer? This government is obviously not concerned about protecting the consumer in relation to the drug industry or to any other industry for that matter. It believes in the concept of free enterprise and it knows full well that free enterprise does not have, except in an incidental way, the interest of the consumer at heart. It has primarily at heart the making of the highest profits possible, the expansion of the industry and the development of control over that industry. The individual consumer is virtually helpless to protect himself against the activities of private enterprise. He needs someone else to protect him. There is only one agency—and I am talking about the drug industry now—which can ensure that the consumer is protected both with regard to the price and with regard to the purity of the drugs he buys, as well as against incorrect, false and misleading advertising. That agency is parliament, or government. This government, believing as it does, or as it says it does, in the private enterprise system is most unlikely, I would assume, to take any steps to protect the consumer. If it believes in the private enterprise system and is, at the same time, of the opinion that some checks or controls must be imposed on behalf of the consumer to protect them against the activities of private enterprise, then it really cannot believe that the next election issue should be private enterprise versus democratic socialism.

The Combines Investigation Act has proved to be relatively ineffective in protecting the consumer. It can be the means of discovering facts leading to prosecution, to fines imposed by the court on guilty parties and to restraining orders to prevent them doing the same

thing all over again. Alternatively recommendations may be made for certain action to be taken in connection with tariffs. But this is the full extent of the powers under that act and it does not, in essence, provide protection for the consumer. The act enables courts to impose a penalty against private enterprise for things it has done in the past and it enables some futile attempt to be made by court order to prevent the same thing occurring in the future.

In my opinion, as far as the pharmaceutical industry is concerned we have to take into consideration a number of unique characteristics brought about because the industry has no direct relationship with the consumer but works through professional persons, doctors. The advertising is directed to the doctors. The doctor writes out a prescription for the consumer, this patient, who has no choice concerning what kind of drug or product he should get. He takes the prescription given to him. He goes to the pharmacist and the pharmacist again has no choice whatever. If a brand name is mentioned he has to supply a drug of that particular brand. If a generic name is mentioned he follows the prescription in that regard also.

Since these circumstances prevail, I believe there must be established a crown corporation for the production, sale and introduction of ethical pharmaceutical preparations. It should provide them at cost. In this way we could ensure at least that government agencies such as the Department of Veterans Affairs, which uses a large amount of drugs, or the Department of Defence Production, the northern health services and other departments and branches of the federal government would be able to use pharmaceutical preparations produced under government auspices at a great saving to the public. We could also establish under this crown corporation a sales and distribution organization to provide drugs to provincial authorities at the lowest possible cost for distribution to hospitals and for the care of the needy and the sick, as well as to old age pensioners, who have difficulties enough as it is, inasmuch as the Prime Minister backed out of the promises he made to them in 1957 and 1958 to provide drugs for them at the lowest possible cost. Unless this government or any other government is willing to recognize the basic fact that the pharmaceutical industry has the consumer at its mercy and that there is only one agency, namely, an agency established by parliament, capable of protecting the interest of the consumer, then the consumer will continue year after year to be gouged, robbed of his dollars and to be uncertain whether he is in fact receiving a pure and efficacious product.

I do not wish to discuss the question of the purity of these drugs and the nature of the advertising through doctors, which is another field, but if this government had any concern for the price which the consumer has to pay for ethical drugs and preparations it would immediately remove the 11 per cent tax presently imposed on them. This tax is almost directly responsible for Canadian consumers having to pay the highest drug prices in the world. This is a fact which, I consider, has been established by the Kefauver committee. I believe it has also been established by the restrictive trade practices commission in its study of this matter, documents concerning which were tabled the other day by the Minister of Justice. Surely if this government had a proper degree of concern for the welfare of the citizens of this nation, one of the things in which it would become directly involved would be the elimination of the 11 per cent tax thereby assisting, in some small way, to reduce drug prices. If the government had any concern whatever about the bad effects of monopoly control because of patent controls in the drug industry it would engage in the field of direct licensing in order to ensure that monopoly position does not exist merely because a foreign concern in the United States holds patents controlling our drug industry. It is a fact that almost without exception every single, solitary patent issued under Canadian patent laws in recent years for tranquilizers and antibiotic drugs has been issued to United States or other foreign corporations, even though they have subsidiaries in Canada. In effect this puts control of our drug industry and the welfare of our people into foreign hands outside the country.

In summary I think the marked failure on the part of this government to concern itself with this question of drugs is significant. Because of the degree of publicity which developed in connection with a particular report of the director of research and investigation, and only for that reason, the restrictive trade practices commission and the minister agreed that hearings should be held in public. The afterthought on the part of the government following a lot of adverse publicity about the attitude of the government to the question of drugs was that it might be advisable to hold public hearings "to get us off the hook". But all the time the government knew full well that it intended to do nothing, which is an attitude in keeping with the general attitude of this government on other matters for so many years. It intended to do nothing about the welfare, the

health and the interests of the Canadian people. Leave it to free enterprise, they say. Maybe that is why the government is holding up the Clark report and why the Minister of National Health and Welfare has not yet completed his study of that document. Possibly he believes free enterprise will find a solution. We remember how in 1957 and 1958 the Prime Minister was almost obscenely in haste to have this commission established. Out of this we got the Clark report which, ever since then, has been languishing in a bottom drawer in the office of the minister of health and welfare.

That document concerns the health and welfare of the people of this nation and the neglect shown of it is an indication of how little regard the government has for these things.

Without getting into the question of national health schemes in this regard I merely want to point out that the Prime Minister with his propensity for putting things off, for procrastinating, and acting like an ostrich in respect to most issues, in appointing a royal commission is doing nothing more than providing a gimmick to cloud over the basic issue of health needs in this nation and to assure that the Prime Minister will be able to go around the country at election time stating how he appointed a royal commission to study something that does not really need further study. If the Prime Minister and his colleagues want to conduct an election, the next or any other, on the basis of free enterprise versus democratic socialism, then I think they will not be telling the truth, when they gloat about free enterprise, if they do not compare what they say with the way in which they have treated the general consumer and general public in the last three or four years. They have given only casual, if any consideration, to the needs and desires of the people of this nation and have concerned themselves only with the blackening of the names of certain public servants in order to ensure that they get their own way.

Mr. Regier: I understand that we are now asked to vote interim supply to the government of the day. If the Prime Minister is to be taken at his word and if, in the light of decisions arrived at in the other place, he is now going to go to the country with an appeal to the people of Canada, then our party of course will be immediately prepared to grant interim supply.

An hon. Member: You are responsible people.

Mr. Regier: Yes, we are responsible people.

If there is going to be an appeal to the people of Canada on the basis of the dare that was put by members of the other place; if there is going to be an appeal to the nation at all, when we will be most happy to grant whatever interim supply is necessary in order to carry on the normal business of government in the interval until a new parliament is able to meet. However, if the government is now asking for interim supply without any intention of appealing to the people of Canada to render a verdict on the record of this government then we feel we must oppose a request of this kind at this time, because the people of Canada in 1957 and again in 1958 were given very high expectations indeed.

Granted, it was the Liberal government that brought us into this mess with conditions which cause most Canadians very serious concern, but the Conservatives under the leadership of our present Prime Minister assured the people of Canada that they had the answer. What a horrible disaster this assurance has now turned out to be.

I am old enough to remember the assurances given the Canadian electorate by, I think an even greater orator in 1930, the late Right Hon. R. B. Bennett. He stated he would resolve all our problems and blast his way into the markets of the world. I can well remember a meeting in the Third avenue United Church in Saskatoon where all the front seats were reserved for the unemployed who were given a special arm band. Well, we ended up in 1935 with more unemployment than we had in 1930.

Upon looking at the accomplishments of this government from 1957 until 1961 I would say their record is no better than the record of the Conservative party under the Right Hon. R. B. Bennett, in those comparable years from 1930 to 1934. I hope this government is not going to impose upon the Canadian people one more year of Tory rule. I hope we are able to persuade this government to go to the country now and not wait until the end of their term of office.

Some hon. Members: Hear, hear.

Mr. Regier: I say this without any political considerations in mind but only because I have the welfare of the Canadian people at heart—

Some hon. Members: Oh, oh.

Mr. Regier: I know how difficult times were under the Bennett administration, following which the Canadian people finally got rid of that previous Conservative government. Today we do not have a government of elected representatives of the people, but a one-man government.

Some hon. Members: Hear, hear.

Mr. Regier: I am informed by reliable authorities that the budget was concealed, that

its contents were known only to the Prime Minister and the Minister of Finance, and that the rest of the cabinet was denied access to it.

An hon. Member: That explains a lot of things.

Mr. Regier: The rest of the cabinet was not even asked to approve of it. The members of the government had to wait, as I had to wait, until budget night in order to discover what "John and Don" had in mind for the rest of us for the present fiscal year. We have noted many other actions which reinforce the allegation that we do in fact have a one-man government and not a government where there is collective responsibility on the part of 20 or more men.

An hon. Member: Hear, hear.

Mr. Regier: Mr. Chairman, our international prestige has very definitely declined. Anyone who has attended the meetings of the United Nations over the past number of years has had regret—

An hon. Member: You never attended.

Mr. Regier: Yes, I have been there for the past three years.

Mr. Fleming (Eglinton): It is six o'clock.

Mr. Regier: After listening to the reports of the delegates of other nations to the United Nations, it is obvious that the government of this day is responsible for the decline in our international prestige.

Mr. Chairman, would you call it six o'clock.

At six o'clock the committee took recess.

AFTER RECESS

The committee resumed at 7.30 p.m.

Mr. Regier: Mr. Chairman, before we adjourned for the dinner hour I had indicated that if there was going to be an appeal to the country we would be most happy to vote interim supply but that if there is not going to be an appeal to the electors of Canada the government of the day in my opinion is unworthy of a vote of interim supply. I indicated that the electors of Canada had very high expectations in 1957 which were continued into 1958 and, as happened once before in my lifetime when the people of Canada elected a Tory government, the people have been horribly disillusioned. The Tory government in the period from 1930 to 1935 hung on to the very end. They were in office for five years, and I pleaded with the government to spare the people of Canada the agony of a five year term on this occasion.

I also contended that in effect we do not have a government as ordinarily understood under our system but that we have rule by one man. I spoke of external affairs and I indicated that our prestige in the councils of the world is now lower than it has been—

Mr. Nesbitt: What do you know about it?

Mr. Regier: —for many a long year. We all know that our economy is sagging. I was interested to read in the press only yesterday that the head of the Canadian chamber of commerce is advising us to pull up our socks and is saying that unless we do so next winter is going to be even worse than last winter for many millions of our citizens.

Mr. Walker: Why?

Mr. Regier: Because of—

Mr. Martin (Essex East): Rising unemployment.

Mr. Regier: Rising unemployment, as the hon. member for Essex East says in so ably assisting me, and also because all the economists I have read are predicting a downward curve from the present upswing, which I admit, about the end of October or the beginning of November.

Mr. Walker: That is what you are hoping for.

Mr. Regier: No, I am not hoping for this.

Mr. Walker: *Honi soit qui mal y pense.* You are as ignorant as Paddy's pig.

Mr. Regier: The whole essence of my speech is to needle the government into some action in order to have an upswing in our economy that will continue throughout the next winter and for the years to come.

Mr. Walker: It is good there are not more like you around here.

Mr. Benidickson: The minister was overruled in 1959 and 1960 by the Minister of Finance.

Mr. Regier: However, I am afraid that the actions of the government to date have revealed that they are not going to be responsible for an upswing in our economy—

Mr. Walker: Did you consult with your assistant, the hon. member for Essex East?

Mr. Regier: —but rather that these economists are going to be found right in their forecasts—

Mr. Walker: Oh, nonsense.

Mr. Regier: —that next winter will be even worse than last winter. I have already referred to a speech made only a few days ago by the head of the Canadian chamber of

commerce. We have a sagging economy. All Canadian business knows it and the lack of confidence in our government—

The Acting Chairman (Mr. McCleave): Order. There seem to be several other debates intervening during the speech of the hon. member for Burnaby-Coquitlam.

Mr. Webb: On a point of order, Mr. Chairman, did I understand the hon. member for Burnaby-Coquitlam to say that the communists were proposing this?

The Acting Chairman (Mr. McCleave): Order. The words of the hon. member for Hastings-Frontenac do not indicate a point of order.

Mr. Regier: I should like to point out to the hon. member who has just risen on a point of order that there is a considerable difference between economists and communists but maybe he does not realize the difference between these two types of people. We contend that not only have we a sagging economy but that the taxation policies of the government are—I cannot think of a better word—plain stupid.

Mr. Walker: What was that again?

Mr. Regier: S-t-u-p-i-d, simply stupid. That is a very good interpretation of the policies of this government.

Mr. Walker: What does your tie represent, son?

Mr. Regier: My tie is red and I hope it will remain red for as long as I live. Red is the colour of reform, the colour of revolt.

Mr. Benidickson: Liberalism.

Mr. Martin (Essex East): The Liberal colour.

Mr. Regier: I hope I will never be found wearing a blue tie which means reaction and a do-nothing approach.

Mr. Walker: Your assistant from Essex East agrees with you.

Mr. Regier: I say that the taxation policies of the government are simply stupid. This government, like the ostrich, is burying its head in the sand with respect to policies on foreign trade.

Mr. Walker: What was that?

Mr. Regier: They are going around the world with a big club over their shoulders. They are now attempting to brow-beat even the government of the United Kingdom. I notice that their henchman, the Ottawa *Journal,* had an editorial the other day appealing to the government to please use a very big club on the United Kingdom—

Mr. Walker: I would like them to use it on you.

Mr. Regier: —to prevent the United Kingdom from joining the common market. We say that this government ought to wake up and realize that there are economic and trade blocs being formed all over the world. If we insist on burying our heads in the sand we will be left out in the cold. We will indeed have been found to have left all our eggs in one basket.

Mr. Walker: Take your head out of the sand, then.

Mr. Regier: I appreciate the interruptions of the Minister of Public Works.

Mr. Walker: I am glad you do.

Mr. Regier: I think he is a very brilliant man.

Mr. Walker: Thank you.

Mr. Regier: I also know he only got into this house on the bandwagon and I believe he will go out when that bandwagon has been thoroughly discredited.

Mr. Walker: Speak for yourself.

Mr. Regier: I believe that this government has reached a new low in its relationships with other levels of government. I believe that this government's activities are a disgrace to the concept of our desire to celebrate, before very long, our 100th anniversary as a nation.

I believe that this government has led us to a position where we have an unprecedented level of national debt. An unprecedented percentage of the national income now has to go to pay the annual interest charges on our national debt. We know that we have unprecedented levels of unemployment in this country. We are miles behind most modern nations in our social security. Our nation has become a happy hunting ground for monopoly interests and, despite our Combines Investigation Act, Imperial Oil announced the other day, with all the effrontery at their command, that the retail price of gasoline in Ontario and Quebec is going to be increased by one cent per gallon. At the same time, Imperial Oil in British Columbia attacks me in newspaper articles claiming that they have nothing whatever to do with the establishment of retail prices of gasoline. Hon. members of this committee know that the day before yesterday our newspapers carried a dispatch indicating that Imperial Oil was increasing the retail price of gasoline in Ontario and Quebec by one cent per gallon.

Our nation has developed into a happy hunting ground for monopoly interests. The hon. member for Skeena spoke most effectively about monopoly interests in the drug industry. Monopoly interests prevail in many fields in which the Canadian people are interested.

We have a so-called national defence department which offers no defence at all for the Canadian people. It is a farce from a to z. Our Canadian defence expenditures have no relationship whatever to the defence of the Canadian people. It is a tragedy at best. We have inadequate protection for our fishermen and our national health measures are a disgrace compared with those of other nations. Even so-called relatively backward countries like Mexico have a comprehensive national health plan. My mother who is now 79 years of age lived in Europe as a young girl and even in her day she had to pay a fee each week which entitled her to complete medical coverage. We, in Canada, are away behind the rest of the civilized world in this respect.

If we think of our basic industry, agriculture, we realize that there have been hand-outs to the people in that industry. I suppose that with the drought on the prairies there will be a lot more hand-outs, and perhaps there will have to be. Fundamentally and basically, however, we have to resort to hand-outs because we have not a government in office that recognizes the basic needs of agriculture, namely, in the words of the Prime Minister when he was a spokesman for the opposition, parity not charity. This government is continuing the old Liberal policy of hand-outs to the farmers, if and when electoral demands are urgent.

Mr. Brunsden: On a point of order, Mr. Chairman, may I ask what is the objection to the government's drought relief policy in the drought stricken areas of the prairie provinces?

The Acting Chairman (Mr. McCleave): Again because of the hubbub in the committee the Chair was unable to grasp the point of order. The words that did come through to the Chair did not seem to indicate a point of order. I would ask the committee to abate its various conversations so that the words of the hon. member may reach hon. members of the committee and may reach *Hansard*.

An hon. Member: Why?

Mr. Regier: I want to thank you very much for your ruling, Mr. Chairman. I realize that truth hurts and that there is a very keen desire to rise on points of order when a few basic truths are enunciated. We have in office, and this is very important to us, a government that has completely failed to show any appreciation of the importance of the civil service of Canada. Without the civil service our government and all law and order in our nation would be hopelessly lost.

We have had an announcement by the Prime Minister that unless the other place does so and so, an election may be called. We, in our group, would welcome an election, despite the fact that in the early weeks of that election campaign we would be having the founding convention of the New party. Nevertheless, we would welcome this election because—

An hon. Member: The New party is not founded yet?

Mr. Regier: The New party may not be founded officially as yet, but I wish to assure the hon. member that in the past number of years there have been thousands and thousands of Canadians who have met in every major city of Canada and who have given some thought to national problems. We will have a consolidation of the thinking of the grass of the Canadian people, which is something that neither the Liberals nor the Conservatives nor the Social Credit party have ever had. Our appeal is going to be a people's appeal that is going to have a real influence on the Canadian electorate.

Mr. Creaghan: What has this to do with interim supply?

Mr. Regier: Interim supply involves the life of this government. Anything I have to say concerning the life of this government is appropriate at this particular stage. We say that unless this government is willing to go to the people it is unworthy of interim supply. In the first place we feel that we do not have a unified government. We have a divided government. We have a couple of ministers in the cabinet who unfortunately have to share a desk but who are divided on the issue of the use of nuclear arms by Canadian forces. I have already indicated that most of the cabinet was denied access to the contents of the budget until it was presented in this House of Commons.

An hon. Member: Where did you get your information?

Mr. Regier: We also have the admission of the Minister of Finance that he released the budget to a non-Canadian before it was released to this House of Commons. According to our traditions this would have called for his immediate resignation; but not so under a Tory government in Canada.

Mr. Walker: That is untrue.

Mr. Regier: In the United Kingdom—

An hon. Member: What is the hon. member talking about?

Another hon. Member: Donald Fleming.

The Acting Chairman (Mr. McCleave): The hon. member is now being interrupted by members of his own party and by members on the opposite side of the chamber. I must ask the committee to hear the hon. member as best it can and to restrain itself.

Mr. Howard: Mr. Chairman, you had better keep those hon. gentlemen opposite silent.

Mr. Regier: We had a budget leak.

The Acting Chairman (Mr. McCleave): Order. The hon. member for Skeena was one of those who was bursting in upon the hon. member who has the floor. I am asking all hon. members to hear the hon. member for Burnaby-Coquitlam.

Mr. Howard: I only interjected because of blabberings from the other side.

The Acting Chairman (Mr. McCleave): Order. The hon. member for Burnaby-Coquitlam has the floor.

Mr. Regier: In reply to the leader of the official opposition the Minister of Finance admitted that a non-Canadian had been supplied with certain basic information as to the budget. In Britain a minister of finance only made an indiscreet remark on his way into the Commons on budget night. However, because of this one small indiscreet remark having to do with the tariff on beer the minister of finance in the United Kingdom was forced to resign. Yet our Prime Minister refers to this allegation of mine and says he hopes that it will receive the contemptuous reply it deserves. Our Prime Minister ought to be the last one to refer to the word "contemptuous".

We have procrastination on the part of our government on many vital issues. They cannot make up their minds on many problems that vitally affect our people in the field of external affairs. We say that at least 1 per cent of our gross national production ought to be devoted to the economic aid to the underdeveloped countries of the world. We believe this would not only help foster world peace but would assist in the restoration of the economic health of our own community. We say that NATO as now constituted and as now operating is becoming more of a threat to world peace than a guarantee of world peace. In the field of disarmament we see no action on the part of our government to supply any leadership whatsoever. If anything, we have hanging over our heads a threat that we may very shortly have greatly increased expenditures in the field of national defence. Our civil defence program, so-called, is a farce. Anybody who attended or who has any working knowledge of the recent operation known as "Operation Tocsin" knows that millions of dollars are going down the drain without any useful result. We have higher tariffs, higher interest rates and an uncertain dollar value. We appreciate the reduction of the Canadian dollar on the international scene but we deeply regret the uncertainty that is attached to it. Canadians do not know whether this is going to cost the taxpayers $100 million or $500 million this year. Canadian exporters have no guarantee or no assurance as to what the value of the Canadian dollar is going to be. The government has left the matter up in the air. We also have a great deal of anxiety and uncertainty as to the money supply. In the documents attached to his budget and in the budget the Minister of Finance admits that he will have to borrow in the money markets in this current fiscal year a sum in excess of $2,600 million. Yet he does not tell us how he proposes to raise this money. Admittedly $1 billion is in obligations that are maturing. The holders of bonds might well buy new bonds. However, the grand total is approximately $2,600 million. Is he going to start the printing presses rolling? He has in effect rid himself of the governor of the Bank of Canada who is opposed to an expansion of the money supply beyond the appropriate level. The Canadian people are therefore left in the dark as to whether the government intends to start the printing presses rolling or whether it intends to borrow all this money and thereby increase interest rates in Canada.

The Acting Chairman (Mr. McCleave): I am sorry to interrupt the hon. member but I must inform him that his time has expired.

Mr. Nesbitt: I do not wish to take up much of the time of the committee, Mr. Chairman, but there were one or two remarks made by the hon. member who has just spoken which I feel must be replied to. First of all, one of his remarks concerning the role of Canada in the field of disarmament. As I understood him, the hon. member made some remarks to the effect that Canada had taken no leadership in this field. I think most people in Canada are fully aware of the magnificient role the Secretary of State for External Affairs has taken in attempting to lead the other nations of the world in this field. Last year about this time, after negotiations had been broken off in the ten nation disarmament committee, it was the personal initiative of the Secretary of State for External Affairs that put a resolution through in the meeting of the disarmament commission of the United Nations insisting that the major powers get together

and discuss ways and means of carrying on negotiations on disarmament. Canada for several years at the United Nations—and I have some knowledge of it; I have been vice-chairman of the delegation there for several years—has taken a lead on each and every occasion to try to get the major powers together again and to see if some arrangement can be made to work out some disarmament agreement. When the hon. member for Burnaby-Coquitlam rises in his place in this House of Commons and makes these insinuations about the Secretary of State for External Affairs I think they must be answered. I might add that if he has acquired his information on this subject during the times that he has attended at the United Nations, I find that very amazing indeed, in view of the length of time he was there and his status when he was there.

The Acting Chairman (Mr. McCleave): Shall the resolution carry?

Mr. Howard: If I may, I should like to make a comment, although just a brief one, on what the hon. member for Oxford has just said. Unlike the hon. member for Oxford I do not have in my background the benefit of long distance telescopes in order to be able to ascertain some of the more detailed things. I would point out to him and to other hon. members that the hon. member for Burnaby-Coquitlam, contrary to the distortion made by the hon. member for Oxford, made no insinuations against the Secretary of State for External Affairs. The hon. member for Burnaby-Coquitlam was talking about this government, not the Secretary of State for External Affairs, when he made those remarks.

In the field of disarmament this government, the hon. member for Oxford or the Secretary of State for External Affairs, bearing in mind the total concept of the need for disarmament, have done nothing of which to be proud. This government has reason to be proud of one of its members, a fellow British Columbian, the Secretary of State for External Affairs, because of what he has attempted to do in promoting discussions on disarmament and attempting to promote disarmament. They have reason to have admiration for the hon. gentleman who holds that ministerial post because of his efforts in this field. But this government and hon. members of this house should know full well that the government of Canada is defeating the attempts of the Secretary of State for External Affairs in the field of disarmament.

Some hon. Members: Oh, oh.

An hon. Member: Poppycock.

[Mr. Nesbitt.]

Mr. Howard: My hon. friend says "Poppycock". Let me carry on and explain.

Mr. Grafftey: You need to explain.

Mr. Howard: I will explain when I feel like explaining, not when the hon. member insists upon it. I think every hon. member of this committee knows full well—and this has been expressed by the Secretary of State for External Affairs—that so long as the people's republic of China stays outside of these negotiations there is not going to be any disarmament, unilaterally or any other way.

This is a government which has consistently refused to give this question the recognition it deserves. This is a government which has continued to ride along on the coat tails of the United States when it comes to the question of recognizing the people's republic of China, or red China, or the government of the mainland of China, or however you wish to classify it. We can talk until doomsday about disarmament and neither the Soviet union nor the United States, each one doing it individually, in a unilateral way, or by agreement, is going to reach any agreement or move toward disarmament so long as China is a nation outside of those discussions. China is a nation that has one quarter of the world's population within its boundaries. It is a country which is a growing military power. It is a country which has received, so we are told, a limited amount of guidance and assistance from the Soviet union in certain technological matters. It is a country, so we are told by people who are reputed to know about these matters, which within a decade or less will be nuclear power. If the government believes that the Soviet union and/or the United States, separately or by agreement, are going to engage in disarmament while there is a nation whose borders embrace one quarter of the world's population, which is a growing military power and is going to become a nuclear power, then this is a government which is not moving toward the field of disarmament with the full force with which it should be moving.

If this government believed implicitly and clearly in the questions of peace and disarmament it would back the Secretary of State for External Affairs to the fullest extent and would recognize the fact that there is a growing military and economic power in China, and that this power should be in the disarmament discussions. The Secretary of State for External Affairs has himself said that China must be a part of those discussions. Yet he belongs to a government which refuses to take any concrete, definite, firm steps toward recognition of that country.

It is in this sense that I say this is a government which is not giving the full support it should give to its Secretary of State for External Affairs. This is the essence of what the hon. member for Burnaby-Coquitlam was saying.

Mr. Nesbitt: Mr. Chairman, in view of the remarks of the hon. member for Skeena I should perhaps add by way of explanation that in the disarmament plan presented to the disarmament committee at Geneva about a year ago, the western plan in its second stage envisaged participation of all militarily significant states. I think this successfully answers the point made by the hon. member for Skeena.

Mr. Howard: Would the hon. member tell us what the first stage is?

Mr. Nesbitt: It would take some time to go into details. There were several stages. The plan presented by the west at that disarmament committee was presented before the Soviet union walked out. These plans are a matter of record, and the hon. member or anybody else who is interested can easily obtain them.

Mr. Howard: If you related to them you would defeat your own argument.

Mr. Regier: I have not completed my remarks and I think they should be completed. I indicated that if this government is prepared to go to the country we will be very happy to grant them interim supply, but unless they go to the country they are unworthy of receiving interim supply.

I have especially in mind the attitude of the government in the matter of income tax. We say there are many loopholes, well known to this government, which exist in the Income Tax Act. We have repeatedly appealed to this government to plug those loopholes, but the government has not acted. I am now speaking personally and not on behalf of my own party, but I should like to see all exemptions for charitable contributions abolished. I believe that if I want to make a contribution to my church or to my favourite charitable institution I should be prepared to do so without wanting to cash in on any benefits which may be available under the Income Tax Act. I have received many complaints on this subject, and there are many leading and responsible Canadians who feel that the public treasury is being rooked annually of hundreds of millions of dollars because of these particular concessions.

I believe the government has failed and is unworthy of interim supply. I believe it has failed to adequately protect the public treasury. We say the Income Tax Act ought to be amended. There ought to be increases; there ought to be reductions. We have long favoured an increase in the level of exemptions allowed under the Income Tax Act.

The Acting Chairman (Mr. McCleave): Order. The hon. member for Burnaby-Coquitlam has put forward arguments which more properly should be, and probably were, made in the debate on the Income Tax Act which was recently considered by this committee. I think perhaps brief references are in order in making his point, but there should certainly not be a full scale debate on a topic which has been previously debated this session.

Mr. Regier: I understand your ruling, Mr. Chairman, and I think it is most reasonable in the light of recent debates that have been held. However we also feel that this government is unworthy of interim supply unless it is willing to go to the people because of its arrogant attitude in the matter of international trade. This government is guilty of violating at least the principle, if not the letter, of GATT by device after device, session after session. The spirit of GATT has been broken by this government. They have been increasing tariffs on each and every possible occasion. I will admit at once they have not always done it by direct methods.

Mr. Macdonnell: May I ask the hon. member a question? I am genuinely surprised, in fact, I am amazed to hear what he has just said, because I have believed, and I have been told, that our reputation in the matter of the observance of GATT is almost unrivaled. I think that if the hon. gentleman is going to make statements of that kind he should give chapter and verse for them. I am convinced that he is wrong and I think he should not make statements of that kind unless he can give us the evidence.

Mr. Regier: The only evidence I can call are the repeated statements of the Minister of Finance. On each and every occasion when he has amended the Customs Tariff he has announced that this is designed to increase employment in Canada; in other words, an increase in tariffs in order to protect, as he sees it, Canadian industry. The minister usually accompanies his announcement that tariffs are to be increased on a limited number of items with the statement that there is to be a decrease in the tariff on even more items. But we have to consider what items are involved in the increases and the decreases. The decreases may well have nothing to do with our international obligations.

Mr. Macdonnell: Would the hon. member permit me to say that I think he has completely destroyed his own argument by those observations. My understanding of GATT is that it is open for members to negotiate with each other and to come to an agreement within the four corners of GATT whereby certain tariffs may be altered. There is give and take. Certain tariffs are raised and certain tariffs are lowered. I think what the hon. gentleman has just said is a confirmation of what I believe, namely, that we have operated within the four corners of the agreement. I think the hon. member should take back what he said about our disregard for GATT because I think it was absolutely wrong.

Mr. Regier: I am absolutely unwilling to take back my basic allegation because I am sure that if the party to which the hon. member for Greenwood belongs goes to the country it will attempt to prove to the Canadian voter that it has protected Canadian industry by increasing tariffs here, there, and everywhere.

Mr. Macdonnell: Within the four corners of GATT.

Mr. Regier: I will not agree with the hon. member for Greenwood that this has been done within the four corners of GATT. I believe the Canadian record in this regard is almost as bad as the record of the United States, and the record of the United States government in observing the spirit of GATT is very bad indeed as we Canadians have good cause to know because we have had to suffer the effects of many of the major violations on the part of the U.S.A. Our government seems to pursue a merry course, independent and in isolation. Let the rest of the world form economic trading blocs; let the rest of the world get together in groups and abolish tariff barriers—we Canadians are going to steer our own course; we are even going to increase the walls which surround us, by the back door method if by no other method. We predict that this will be disastrous to the health of the Canadian economy. I am unwilling to advocate at this moment that we should affiliate ourselves with one economic bloc or another, but I do say we have to consider what is happening in the world and that it is disastrous for Canada to isolate herself and to become, in effect, even more exclusively dependent for our economic welfare on the level of economic activity prevailing the other side of the 49th parallel.

This government was elected on a declaration that we ought to take a few of our eggs out of that one basket and place them in a few other baskets. But ever since 1957 this government has done absolutely nothing to make this country any less dependent on the United States economy. The government and its supporters cannot point to a single instance where, by legislation or otherwise, they have attempted to distribute our eggs into more than the one basket.

We say that this government is undeserving of interim supply because it lacks a national transportation policy. Oh yes, it has set up royal commissions on this subject and investigations on that. But I ask you, Mr. Chairman, how can we deal with the problem of the railroads of Canada without also considering trucking, shipping, air lines and all other modes of transportation? We have no national transportation policy. True, we have resolved our railroad problem for the time being. We have swept it under the rug until the end of this year. I can well understand why the Prime Minister may want an election this fall: It is because round about the end of this year he will again be faced with the ugly problem which is presented to us by the national railroads. All we have done so far is to sweep this under the rug and it may well be an election will be held before we have to face this difficulty. What we need is a real royal commission to consider transportation in all its aspects rather than a royal commission investigating only one phase of national transportation. We in this group say that national transportation involves a public utility and that sooner or later we shall have to reach the conclusion that public utilities ought to be publicly owned.

We have no national policy on energy. We have conflicting interests. We have an ineffective national energy board whose terms of reference and whose powers are so limited that it is unable to deal adequately with the work assigned to it, because it is forbidden to explore other fields of energy.

As I mentioned yesterday, this government is unworthy of interim supply because it is turning back the clock of Canadian national development. I am not going to pursue that subject now, except to say a word or two on the utter failure of this administration to develop a national capital of which we can all be proud. Ottawa is a city which is magnificent in many respects, but everything of magnificence in this city is here as a result of the national capital commission. We have slums side by side with splendour and I believe the time is long overdue, especially since we are going to celebrate a hundredth birthday two years hence, for much more aggressive action to be taken on the part of the government.

We have a government which does not recognize the need of national growth in the economic field so as to provide for full employment. We say that full employment can

be obtained in Canada and that it is essential to national prosperity. We also say that until plans to this end are able to take effect no one in Canada should have to suffer because, through no fault of his own, he is unable to earn a livelihood. In the early days of Canadian history anyone was able to take an axe and the gun, go out into the wilds and acquire his basic needs. That day has now gone. Today people are living in apartments and are paying relatively high rents. They are completely helpless in obtaining employment. It is no longer up to them to decide whether or not they shall work. Other people have the exclusive power to decide that. If these individuals cannot work all we can do for them apparently under this government is provide unemployment insurance and, when that runs out, a small degree of welfare hardly sufficient to meet the monthly rental. That is not good enough. The government of the day promised the people something entirely different when they last went to the country. For this reason we should like to see them again go to the people. I am sure the people will not have forgotten the promises made in 1958.

The government has completely failed to introduce an all inclusive and comprehensive social security program. In the field of portable pensions we heard a few words during the budget speech to the effect that the minister is going to look into the existing provincial and private pension schemes in an attempt to see whether he can arrive at some mutually satisfactory arrangement. As long as this government is going to depend on private pension schemes in Canada it will have failed in the field of social security. The government must bring forward a pension scheme which is portable under federal government supervision. In order to do so I realize there must be co-operation among the provincial and federal governments. It cannot be done by the federal government alone. We heard during the budget speech that the government intended to look into the existing private schemes operating in the various provinces to see if some measure of portability in respect to pensions could be achieved. I suggest this is inadequate on the part of the government.

Mr. Chairman, we feel that this government lacks both ability and determination to resolve the social economic problems of the Canadian people. We believe in expansion and progress, and we believe success in this field is beyond private programs. We are not so sure that possibly the promises made in 1958 did not outline the proper course, but from then till now it has become obvious that the follow-up on the part of the government on behalf of the people has been inadequate. Indeed, we believe this government is responsible to the nation as well as to the individuals of this nation. We believe this government has responsibility to world peace and progress in that direction. We realize that it has failed there too.

I will admit that the Liberal party during 22 long years finally led us into the mess in which we arrived in 1957. However, the Tories claimed they had the answer to the situation. We maintain that only a party which is free, with members of parliament who are free to express their personal opinions without being in hock to campaign funds will be able to give good government to the people of Canada.

The Acting Chairman (Mr. McCleave): Shall the resolution carry?

Mr. Peters: Mr. Chairman, I am amazed by the great eagerness on the part of members of parliament to go home. I think it is important that we should illustrate some of the reasons why they are anxious to go home.

In the last few weeks we have been involved mainly in discussions regarding the banks, bankers and banking problems. This is something we should have expected a Social Credit representative in this house to precipitate. We have been continuously amazed by some of the things which have happened. We are at the present time amazed as a result of some of the things which have happened in the last day or two regarding the banking situation.

The latest rumour I heard is that the former governor of the Bank of Canada has been offered the chairmanship of the international monetary fund, and that one of his first jobs will be to call upon the Canadian Minister of Finance to justify the position taken in relation to the devaluation of the Canadian dollar. Of course, we also hear the story that Donald Gordon is being replaced and recalled to the bank where he was formerly the deputy governor to take over the duties of the governor. These are all interesting suppositions. I suggest there will be more rumours as days go by.

I had hoped that the Prime Minister would be in the chamber in order to give us the benefit of a statement of fact in this regard, because it is the Prime Minister who will be appointing the new governor. We should like to know if it is going to be Donald Gordon because he in turn will be replaced by someone else. I presume that individual will be my friend and colleague from Port Arthur, or one of the other applicants for the job who are not nearly as well qualified.

It is very interesting to see that the Minister of Finance has not been with us today. I do not know what his absence means.

Mr. Drysdale: He has been here more often today than you have.

Mr. Peters: I just did not happen to see him, in that event. Mr. Chairman, I believe the people of Canada are going to pay very close attention to the position in which the Minister of Finance now finds himself in relation to the British parliamentary system.

Mr. Chairman, I do not intend to speak much longer along this line because I believe that basically the fight is between the present government and the official opposition. I suggest both those parties have had their day in court. The opposition have been fortunate to find that some of their colleagues have been able to justify the existence of the Senate itself. This was of interest to me because I have always been of the opinion that the Senate could not be reformed but only abolished. I am interested in what the Prime Minister intends to do. I am very interested in this aspect of the situation because for the first time since I have been a member of the House of Commons the Senate has expressed its opinion and has stood on its own feet. There is no point in discussing what the Senate did or why it did it. However, if we are going to the people we must have a program covering a diversity of things. The Canadian people are going to be unhappy with what has happened within the last day or two. No one likes to see an underdog trampled upon. I think they have been ashamed as a result of the Prime Minister standing up in this house threatening the other place. I am pleased the Senate took the stand it did and I hope it results in an election. It is for this reason that I say this. In my opinion the Prime Minister of this country is not a big enough man to run the whole country. He obviously needs a cabinet—

Mr. Walker: On a point of order, Mr. Chairman, the hon. member on his own admission has been conjecturing about many things, the successor to the head of the Bank of Canada and one thing and another. Now he is giving his conjecture about the Prime Minister. I take it this is his own vacuous opinion and his opinion only because it would be just as right for me to say that I heard a rumour that the hon. member was going to drop dead but I fear it is somewhat exaggerated.

The Acting Chairman (Mr. McCleave): Order. The matter raised seems to be more in the nature of debate than a point of order.

Mr. Pickersgill: It should not be dignified by the term "debate".

[Mr. Peters.]

Mr. Peters: Mr. Chairman, I can only say that I hope the hon. member is not clairvoyant. If this is a premonition born of his imagination I hope it proves to be incorrect. I can assure the hon. member that I have been scared of this too and I have been paying my insurance regularly so things will not be nearly as bad as they might otherwise be. In my opinion, and I think this opinion will be shared by the majority of Canadians, the Prime Minister is not a big enough man, no matter who he is, to be completely responsible for everything. I suggest that it was the Prime Minister, not the Minister of Finance, who interfered in the situation respecting the Bank of Canada. We have already had proof that there was no difference of opinion between the Minister of Finance and the head of the Bank of Canada. It is only a personal opinion but I presume that the Prime Minister did not like the way he parted his hair or maybe there were other reasons why he did not like him so he had to go. I suggest that the Canadian people are not going to be interested in this kind of development.

The parliamentary secretary to the Secretary of State for External Affairs rose and made a contribution tonight.

An hon. Member: The poor man's Donald Fleming.

Mr. Peters: He may be considered by some to be the poor man's Donald Fleming but I would suggest he is the rich man's Donald Fleming. Probably he is a lot better off than the Minister of Finance, but that is only conjecture. He got up and pointed out some things but he did not point out that all hon. members of this house and every Canadian citizen who has really thought about the matter have agreed with the Secretary of State for External Affairs and we have been proud of the job he has done. We also know that before the present minister took over the portfolio the Prime Minister handled that department.

We also know that Canada has degenerated so that it is no longer a first or second power in international affairs but a very poor one that is not given much credit at all. It is never certain whether we are for armament or for disarmament. One minister may get up and say that we are in favour of armament. Certainly the Secretary of State for External Affairs whom we have supported has not done so but there are others who are suggesting that we should increase our contribution to NATO and continue under the NATO banner when we know that under NATO there are nuclear arms which all of us have said are not a good thing. It is very difficult to equate these two things because if

the Secretary of State for External Affairs were allowed to have his way this would not be a fact.

I think the Canadian people are going to be very interested in this election. It seems to me that the Diefenbaker government will not be nearly as popular as it was before. It also seems to me that unless this government sits down and does some thinking it will not have been reborn. It has been said that I belong to a party that is going to have a convention and become something else. Make no mistake about it, Mr. Chairman. The Canadian people did not buy a Conservative government. They bought the Diefenbaker government because they thought it was different and lately they have realized how different. It was without a doubt an odd-ball among unorthodox governments if there has ever been one.

We belong to a party, Mr. Chairman, that is going to develop a policy that will, I am sure, be the culmination of discussions that have gone on in every community and every organization which we have had the opportunity to interest. They have discussed our program. Our program will be a program of the people and I am quite sure that most of us will be in a position to give it wholehearted support. We hope that the government will be interested in calling an election on the basis of this kind of program.

Mr. Benidickson: The program is not known yet.

Mr. Peters: They are in the position, if they wish, to fight the election on Senate reform. I am interested in going home from this place tonight with the hope that the Prime Minister was being honest with the people when he said that if the other place did not do so and so he would have to go to a higher court and there would have to be an election. I hope that is exactly what he does because I am interested in solutions for unemployment. We are interested in solutions for such things as portable pensions. We have heard the Minister of Finance talk about helping the provincial governments to get into this field. We think that the federal government should move into this field right away and hope and expect that the provincial governments will follow.

As far as agriculture is concerned, maybe there is nothing wrong with agriculture but I think something should be done to solve some of the problems. We have had such reports as eggs selling for 15 cents a dozen. This does not happen in my part of the country which obviously means that we should remove the regional basis from the stabilization act and apply the act across the country so that no farmer will get only 15 cents a dozen for eggs.

We believe that marketing legislation is necessary on a planned basis not only to handle grain. The government is to be congratulated for the efforts it has made through the wheat board to sell grain as that board has done for other governments. We believe that the same thing should be done in order to establish markets for milk, cheese, butter and other commodities from the sale of which our farmers are not getting a decent standard of living. I will not talk about all the other problems that agriculture has. Certainly we have a calamity in western Canada. This situation has developed because the Liberal government would not do anything. The Saskatchewan river dam should have been built a long time ago and if it had been in operation now it would have solved the problem for many thousands of farmers in western Canada. Now all we can do is to help the farmers in some way.

I make this suggestion, Mr. Chairman. Let us bring some of those farmers to my area in northern Ontario. The hay on many of the farms there has not been cut for quite a number of years. The municipalities own many of them and they would be quite willing to rent equipment to the farmers so they could cut the hay. They could then ask for government assistance to transport the hay to the west. Let us offer them something good and have them do something for themselves as well. We will co-operate and I am sure that if the government gives leadership this will be of assistance to them.

One of our greatest needs is something about which the government has never done anything, the establishment of a department to handle industrial development. In northern Ontario as in the maritimes and other depressed areas of Canada—they may not like the word "depressed" and there may be a better one—they are not capable at the present time of providing employment for the people who live in those areas and we believe that a department must be set up to help them, as was done in England, and to give consideration to the moving of industry from overcrowded places like Toronto to areas that are much more in need of industries than such cities are. We believe in economic planning and this means planning for our industry and our communities. There are many communities in the country that are now pleading for government aid, leadership and assistance in order to do something about this problem. These, Mr. Chairman, are some of the election

issues to which this government has not faced up as yet, but to which they will have to face up.

We are interested in something else. During the last election campaign we heard this government talk about their interest in the development of Canadianism. They wanted us to buy Canadian, produce Canadian and develop Canadian things. I believe we will hear more about this during the coming election campaign. We also believe in this policy. We are surprised, however, when we find that the Minister of Finance is trying to stablilize the Canadian dollar by buying and selling United States currency. Good heavens, can you think of anything more silly than that when we have gold in this country which could be held in reserve and would be a much better method of stabilizing our Canadian dollar? Let us hold more of our gold so that we can stabilize our own currency within our own country and not have to borrow or buy United States dollars in order to keep the Canadian dollar at par. This may be a line of argument about which we will hear a great deal more.

I thought the Conservative party had always been interested in stabilizing money. I always thought they were the strong currency party, and I thought they believed in the stabilization of money. On the other hand, we have heard rumours recently about the Minister of Finance asking the banks to lower their liquid assets by 2 per cent in order that the government could get the money to pay the farmers the $200 million in cash advances. Let us at least get enough gold reserves in this country and let us pay for that gold so that we will revitalize the great gold mining industry. We should set a price of $50 for that gold and not worry about the United States. It is all very well for the Department of External Affairs to worry about the United States, but let us be Canadians and let us start worrying about ourselves. Let us build up our own country on the assets we have, and we have many of them.

One of the second greatest assets we have in this country is our labour. We are not going to be a strong, wealthy country until we provide employment for every Canadian who wants to work. This is not being done now. I suggest these are some of the things that are going to be election issues. There are quite a number of other issues that we will be raising in this election campaign. I only hope that this promise of an election is not going to be another one of the Prime Minister's broken promises. This is really an obligation to the people of Canada. I believe he has an obligation, too, to those people in the Senate who answered him in kind. I hope, Mr. Chairman, that this is not going to be another one of the Prime Minister's broken promises about which we have heard so often in the last four years.

Mr. Matheson: Does the hon. member know that according to a Canadian press report which appeared in the Ottawa *Journal* on May 16, 1957, Mr. Diefenbaker at Carman, Manitoba, called for reform of the Senate so it would not "blindly follow the government's dictates" and strengthening of the power of parliamentary committees to obtain information? Does the hon. member know that?

Mr. Peters: I did not know that, Mr. Chairman, but I am not surprised by my ignorance because I have not followed this subject very closely. The party I represent, and with which I have had some association for a long time—

Mr. Drysdale: What party was that?

Mr. Peters: The C.C.F. party. I hope the hon. member who asked the question has had as long an association with his party as I have had with mine. The C.C.F. party has always felt that we could not reform the Senate, it had to be abolished. Let me cite an example, Mr. Chairman. There is a gentleman sitting in the front row of the government benches who is over 75 years of age. In my opinion, this gentleman has more brains than all the backbenchers put together. One of the senators with whom I have had a good deal of disagreement and whom I have not supported, is now 84 years of age. I think, Mr. Chairman, that you cannot use age as a criterion for reform of the Senate. If this is not the reform that is suggested, and I am only saying that it might be because of what has happened to some of the judges of this country, then before we leave this session the Prime Minister should tell us the kind of reform he advocates.

I was pleased to hear the question raised, Mr. Chairman. I was not surprised, though, because I knew the Liberal party was not interested in getting rid of the Senate. They had thirty years to do this. They have not much interest in reform. The Conservative party, therefore, must have been the ones who were interested in reform. I think the public will be very interested in the arguments that they put forward on Senate reform, an issue upon which we are going to be fighting a national election very soon.

Mr. Herridge: I rise on a question of privilege, Mr. Chairman. I have been thinking over the rights of parliament, Mr. Chairman. I have been advised that the hon. member for Niagara Falls is going to be crowned a princess on Saturday. She will be crowned Princess Ya-Go-Da-Dia-Se, which means in English "She speaks for others". I am much

concerned about one or two aspects of this honour. In view of the attitude of the former Canadian government toward Canadians accepting titles, would it be a violation of Canadian law if the hon. lady accepted this title? I wish also to know whether, in view of her elevation to royal rank she will be required to vacate her seat? If she is not required to vacate her seat, would she have to re-sign the roll in view of the change in name and title? I rise on this question of privilege because it has been concerning me for a few minutes.

Mr. Argue: I rise for a few moments at this particular time—

Mr. Drysdale: Are you on the question of privilege?

Mr. Argue: No. I rise to bring before the committee a grievance which I hope the Minister of Labour might consider. I see he is in the chamber and will undoubtedly consider the remarks I have to make. I am dealing with this matter at this time because there is the happy prospect of the house rather quickly adjourning and because the situation to which I shall refer has been deteriorating in recent days and may result, although I would hope not, in a very disagreeable strike from the standpoint of the employees, the company and the public. I refer, of course, to the current dispute between the Canadian air lines flight attendants association and Trans-Canada Air Lines. This issue has been raised in the house on orders of the day by myself and the hon. member for Skeena as well as others.

Although the minister has taken an interest in this subject there has not been any hopeful indication that this dispute is likely to be resolved amicably within a short time. The request of the employees' association for an inquiry into certain allegations has not been accepted by the government. A conciliation board, and its report, very often are helpful in arriving at the settlement of such a dispute. We have had some experience in this kind of recommendation with regard to another very major labour dispute in this country of some months ago, namely that between the non-operating employees of the railways and the railway management. The government some months ago failed to give, in our opinion, adequate support to the recommendations of the conciliation board which had been accepted by the employees. But none the less, after an interval of some months in which the public felt a railway strike might be imminent, the issue was settled on the basis of the conciliation board report.

In this dispute things have been following an almost identical pattern. A conciliation board was set up. A majority report was made and, as far as two particulars are concerned, one of the members presented a dissenting report. A number of issues are involved but the issues in main dispute consist of additional pay because of the flight of high speed aircraft, the attendant inconvenience to the employees involved, the additional work involved, the additional amount of time required off the aircraft in order to make up a certain number of hours of actual employment.

The employees presented their case asking that one minute be added to each hour of time spent in the air for each additional ten miles of speed of the aircraft in excess of 300 miles an hour. The majority report of the conciliation board recommended a one-minute addition for each hour of service of employment in the air for each additional 25 miles per hour speed in excess of 300 miles per hour. Hence the employees, by this majority report, would receive 40 per cent of the amount they had requested.

They had also requested a general 15 per cent increase in pay. The conciliation board report was favourable to a 5 per cent increase in pay retroactive to October 1, 1960.

There seems to be a good deal of evidence that the company have really not bargained in good faith, and that they have taken steps which would suggest that they are endeavouring to recruit alternative employees or strike breakers, as they are very frequently called, with which to replace the employees involved in the dispute and that this kind of activity—and I think this is a serious charge —has been engaged in while the conciliation board was considering its report and certainly before the report had been made public. It is the feeling of the employees that they have been subjected to a great deal of intimidation, and they are therefore asking the minister to make an inquiry into this particular allegation.

I have in my hand a copy of a teletype dispatch sent out by the management to all T.C.A. stations prior to the report of the conciliation board. By reading this teletype dispatch I think I can point out exactly what the employees have in mind. The dispatch reads as follows:

> The company has been attempting to negotiate a new contract with the flight attendants association since last summer. The major point at issue has been a "jet speed" clause which would result in approximately a 40 per cent increase in wage costs for flight attendants on DC-8 aircraft apart from the across the board increases demanded. Such a clause is unprecedented in the industry and is totally unacceptable to the company. The associations' bargaining representatives, however, have been adamant in their refusal to modify the specific demand in any way. As a result, an

impasse was reached. The matter was referred to a conciliation board, and the report of this board is expected momentarily.

It had not yet been received.

It is the law that following the receipt of a conciliation board's report by the Minister of Labour in Ottawa, a period of seven days must elapse before it becomes legal for a union to take strike action. The company very sincerely hopes that such a situation will not develop. It is determined, however, that should the situation come about, it will continue to operate all its services, and it is therefore obviously essential that it immediately take whatever preparatory steps are necessary to insure that this is possible.

One of the needs will be to provide the minimum necessary substitutes for those flight attendants who may decide to strike. It is desired to do this within the company by drawing personnel from supervisory ranks and other non-union employee groups. A course of training has already been worked out which will qualify such employees for limited flight attendant duties. It is obvious that if the company is to protect its essential services, sufficient numbers of company employees are requested to act as flight attendants for the duration of any strike. Volunteers will be posted to stations at Vancouver, Winnipeg, Toronto and Montreal. If they are posted away from their homes they will be on full reasonable expenses for this duration of their special assignment. If they are posted to a station at which they are normally based, they will be relieved of their present duties and will be on stand by for flight service following the training. It will not be necessary for these employees to undergo special medical examinations, to secure uniforms or to procure special dress. All employees will be provided with a special identification badge and their duties will require them to work at any time within a 24 hour period and in some cases with very limited notice. Their normal salaries will be paid for this period plus $5 per day for each day or part thereof spent flying.

In the interest of keeping the air line operating, and in keeping everyone who is not on strike on the payroll, will you please solicit volunteers immediately from the following ranks: secretarial, stenographic, clerical, managers, sales representatives, supervisors, and any other employees who fall within the non-union group and who can be spared from the day to day operation of the air line. If necessary, consideration can be given to replacing the employees released for temporary flight attention duties with office overload or similar service. Male or female personnel will be accepted from any age group regardless of whether or not they would normally qualify as flight attendants. Would you please take action immediately and forward an initial list of names, classification and location by teletype directly to me within 24 hours of receipt of this teletype bearing in mind that personnel may possibly be required to be positioned by next week. On receipt of these names further instructions will be issued with respect to date and place of assignment as circumstances require.

It is signed "L.R."

Mr. Chairman, I think this demonstrates that the company has gone to no end of trouble to recruit persons, irrespective of their medical condition, without respect to their age, and beyond the normal type of qualifications that are necessary for flight attendants. It has been suggested, and I think rightly so, that the whole safety factor by the management has been thrown out the window in this hurried endeavour to recruit strike breakers amongst the other employees of Trans-Canada Air Lines. This has been sent out before the conciliation board report has been received and it has been suggested that by so doing the company has failed to bargain collectively in a responsible manner.

Because of this situation Robert Smeale, the business manager of the Canadian air lines flight attendants' association, and others have asked that the Department of Labour make an inquiry into these kind of activities to see to what extent the company has engaged in them and to ascertain whether or not this kind of course is in keeping with the normal public safety that should be provided to passengers on T.C.A. aircraft.

Mr. Chairman, as I said when I commenced my remarks, I raise this question only because this session is likely to be adjourned in a short time, because the situation with regard to this labour dispute is serious, and in the hope that the minister will reply and will use his good offices to the end that a fair and reasonable decision may be arrived at in the interests of the employees, the company and more particularly the general public.

Mr. Starr: Mr. Chairman, the minister is using his good offices in this dispute and I wish to thank the hon. member for his observations, suggestions and advice.

Mr. Howard: Mr. Chairman, before the resolution is carried perhaps I may be allowed to make a brief comment.

An hon. Member: Brief?

Mr. Howard: During the latter part of the day we have placed a number of matters on the record and have made a number of suggestions which we hope the government will consider in those leisure summer days between now and when we reconvene, if we reconvene. If and when we do reconvene we hope the government will bring these matters forward in the form of legislation in order to give effect to our proposals and so take steps to protect and advance the interests of the people of this nation.

We can only wonder, in view of the earlier inflammatory statements by the Prime Minister, just what he has in mind with respect to some recent activities in the other place. We wonder whether or not this indecision on the part of the Prime Minister, for which he is noted, is because he has not yet decided which date he will put upon the undated but signed letter of resignation that the Minister of Finance signed on the day he entered the cabinet. We also wonder whether the Prime Minister is deciding how much time will elapse after this signed but undated letter of resignation is dated before he decides to appoint the Minister of Finance, in order to

save face all the way round, as the governor of the Bank of Canada. If this is the reason for indecision, we can understand it.

Motion agreed to.

Resolution reported and concurred in.

WAYS AND MEANS

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

INTERIM SUPPLY

Mr. Churchill moved:

Resolved, that towards making good the supply granted to Her Majesty on account of certain expenses of the public service for the fiscal year ending March 31, 1962, the sum of $1,045,379,927.94, be granted out of the consolidated revenue fund, as set forth in the resolution concurred in this day in the committee of supply.

Mr. Pickersgill: Mr. Chairman, before this resolution is carried I wish to ask a factual question of the parliamentary secretary to the Minister of Finance. I should have asked this question in committee of supply. Would the parliamentary secretary assure us that a fraction—and would he also tell us what fraction it is, because I have not had time to look it up—of the special supplementary estimate for Cape Breton is included in this bill?

Mr. Bell (Carleton): There is a fraction, Mr. Chairman. It is seven twelfths.

Mr. Benidickson: The item being originally in the last special supplementary estimates.

Mr. Bell (Carleton): Yes. It is seven twelfths.

Mr. Regier: Mr. Chairman, would the parliamentary secretary advise us very briefly what means the government is intending to employ to obtain the necessary revenue now about to be voted, in case ordinary receipts are inadequate.

Mr. Bell (Carleton): The usual means, Mr. Chairman.

Motion agreed to.

Resolution reported and concurred in.

Mr. Churchill thereupon moved for leave to introduce Bill No. C-123, for granting to Her Majesty certain sums of money for the public service for the financial year ending March 31, 1962.

Motion agreed to, bill read the first and second times and the house went into committee thereon, Mr. Flynn in the chair.

On clause 1.

Mr. Benidickson: Mr. Chairman, I do not think the bill with which we are going to deal has been presented to the members of the committee. It was agreed yesterday that we would defer debate on the particular bill which has been handed to us. I am sure that the unnumbered bill relating to possible agreements between the federal government and the governments of the provinces is not the bill that should have been distributed.

The Chairman: That matter is being corrected, I understand.

Mr. Martin (Essex East): More confusion.

Mr. Benidickson: I simply rise to obtain an assurance from the parliamentary secretary who, I know, has given study to the drafting of this bill which has only come into our hands at this moment, that the measure, in its wording, is in complete conformity with the tradition on interim supply and that there are no gimmicks or hidden notes in it and that there is no item connected with the estimates of 1961-62 involved in the schedules to this bill which are completely to be passed, or that we shall not have an opportunity to discuss when we resume this sitting perhaps after the recess of this particular question.

Mr. Bell (Carleton): On the basis of the assurances given to me I have no hesitation in saying to the committee that this is in the standard and traditional form of interim supply. It contains none of what the hon. member refers to as gimmicks; none of the items is voted in full, and the passage of this bill will in no way restrict the discussion in committee of supply on a subsequent occasion.

Mr. Benidickson: In other words, on the resolution stage we were dealing with simply fractions of less than the maximum of twelve twelfths.

Mr. Bell (Carleton): That is correct.

Clause agreed to.

Clauses 2 to 5 inclusive agreed to.

Schedules agreed to.

Preamble agreed to.

Title agreed to.

Bill reported, read the third time and passed.

PRIVATE BILLS

Mr. R. J. McCleave (Halifax): The house seems to have wound up the business with which it was to concern itself today. I have to make an unusual appeal. I hope the house will be good enough at least to listen to me in patience and with some understanding. Perhaps the house may even consent to take

action along the lines I shall propose. I represent the sponsor for 356 divorce bills from the province of Quebec and the province of Newfoundland. Somebody may have said "shame", but as a Nova Scotian I am not without pride in trying to be of service to fellow Canadians in other provinces.

For four months now, Mr. Speaker, I have tried both in this chamber and in the other chamber, running up and down these stone stairs, to try to get some agreement among people in all parties with different points of view to settle the divorce question, if the divorce question can be settled in parliament without offending the feelings of those in the provinces of Quebec and Newfoundland. I think I should immediately make it perfectly plain that while there may be winds of change in the divorce field I have seen evidence of none of those winds of change from the two particular provinces concerned. Distasteful as it may seem to some of us, we do have to consider divorce bills in parliament. After four months of what I consider hard work, I regret that at this moment I am not able to report general agreement on how to alter our present procedure with regard to divorce or, at least, not general agreement to the extent that it will not hurt some people. I think of two people who may feel they are hurt if we adopt the report of the committee on rules and procedure. I would prefer, if possible, to avoid the hard feelings which must accompany even a step which seems as judicial and fair as that. I do not wish to take the time of the house unduly this evening, Mr. Speaker, but my proposal is this. There are 356 cases. The best opinion I have, after consulting everybody who has an interest in this subject, is that between 12 and 15 cases are of the contentious variety. Some of them have been contested in the other place. Some are going to be contested in this place. Others, while they were uncontested in the other place, should be the subject of further examination in the miscellaneous private bills committee of this house. That was obvious after examination by myself, the hon. member for Skeena, the hon. member for Timiskaming and other hon. members. We know the names and numbers of those cases. It would be a simple matter to take those 12 or 15 cases and refer them to the miscellaneous private bills committee.

It is now 20 minutes after nine. We could have that chore done by 9.30 and we could have passed some 340 other cases and carried out a duty owed to the people of the provinces of Quebec and Newfoundland. I ask all members of this house to do this humane thing on behalf of those who have petitioned Her Majesty. I ask them to take this course after consulting their hearts, their minds, and their consciences. This is the only way in which these people can obtain relief. They have petitioned Her Majesty and we are the human agents here who can say: yes, you may have that relief, or, no, you shall not.

Mr. Frank Howard (Skeena): I am not sure what the request is. Perhaps the hon. member for Halifax would indicate what the request is.

Mr. McCleave: Yes. I will make the request very specific so that even the hon. member for Skeena may understand that request. The hon. member for Skeena and the hon. member for Timiskaming have between six and a dozen cases which they wish examined. Let me have the names of those cases. They can bring down their files in five minutes. We can take the dozen cases which have to be examined and all the others can be passed by 9.30.

Mr. Howard: The hon. member for Halifax, junior or senior, I do not know which, was permitted to make some remarks preliminary to his request and I hope I shall be allowed the same latitude in that regard.

I should like to congratulate the hon. member for Halifax on placing himself in the position of being the defender of rights of people in substitution for a government which is a bit of a jelly fish in this regard, one with no backbone to deal with the matter properly.

Mr. Speaker, the gratification that the hon. member for Halifax oozes all over himself makes me a bit sick because we had discussed this earlier, and the hon. member for Halifax is now double crossing us in the approach that we agreed upon.

Mr. McCleave: Mr. Speaker, I rise on a question of privilege. There has been no double cross on the part of the member for Halifax or any other member of this house in regard to the matter of divorce. There has been no double cross whatsoever.

Mr. Howard: I say there has been a double cross and you are the party in charge of it. I will name the others as well if you wish.

Mr. Speaker: Order. Is it proposed that the house now rise for an interval of time?

Hon. Gordon Churchill (Minister of Veterans Affairs): Mr. Speaker, I wonder whether the suggestion made by the hon. member for Halifax could be considered by the house now.

Mr. Speaker: The hon. member's suggestion would of course require unanimous consent. I take it from what has been said by the hon. member for Skeena that unanimous consent will not be forthcoming.

Mr. Peters: Mr. Speaker, may I just say a word or two in regard—

Mr. Speaker: Order. There is no scope here for debate. If unanimous consent is forthcoming I shall be pleased to put the question to the house. Perhaps the hon. member will indicate whether he intends to give consent. I take it that no matter what he says now unanimous consent will not be forthcoming.

Mr. Peters: Mr. Speaker, I should like—

Mr. Speaker: Order.

Mr. Peters: Mr. Speaker, I rise on a question of privilege. There was some discussion this afternoon in regard to a request that came for the hon. member for Halifax, and I do not think it has been properly put to the house. The hon. member suggested that there was some agreement among the parties regarding certain divorce bills appearing on the order paper. In these cases it was proposed that there would be an annulment rather than a divorce granted. I understand there are four or five cases of this nature. This group is in agreement with the hon. member in respect to those four or five cases where the scientific evidence has been presented. In view of that, Mr. Speaker, I understand that unanimous consent would be forthcoming. I think his suggestion in this regard would be of interest to this group if it were reworded.

Mr. Speaker: It is suggested there would be no objection to proceeding with the four or five cases of annulment among the divorce bills. Does the hon. member for Halifax wish to take that course?

Mr. McCleave: Mr. Speaker, I shall take that course if I am forced into it. Since there is not unanimous consent in respect to the 350 divorce cases, against my instincts I have to salvage whatever I can out of the wreckage caused by the hon. member for Skeena and the hon. member for Timiskaming.

Mr. Howard: What a foul, slimy approach.

Mr. McCleave: Mr. Speaker, if the hon. member wishes me to go into a debate and pursue it into his public and private life in respect to remarks such as he has just made, I shall be glad to oblige; but the winds of change will sweep him from this chamber.

Mr. Howard: The member for Halifax has promoted all of this—

Mr. Speaker: Order. I do not propose to allow remarks of that kind to blight the last hour of the session. If there is not an honourable agreement to be reached the matter is closed.

Mr. McCleave: Mr. Speaker, there are four annulments in respect of which all parties had agreed, but one was a contested case before the committee of the other place and it is the usual practice that contested cases must go to the committee on miscellaneous and private bills, so that in all conscience I can move only three of these annulment cases at this time.

The house in committee on Bills Nos. SD-101, SD-107 and SD-265, Mr. Flynn in the chair.

Bill No. SD-101, for the relief of Edel Haimes—Mr. McCleave.

Bill No. SD-107, for the relief of William Paschal Hayes—Mr. McCleave.

Bill No. SD-265, for the relief of Mathilde Marcelle Mathieu—Mr. McCleave.

The Chairman: Shall the bills carry?

Some hon. Members: Agreed.

The Chairman: Shall I report the bills?

Some hon. Members: Agreed.

Mr. McCleave moved the third reading of Bills Nos. SD-101, SD-107 and SD-265.

Motion agreed to and bills read the third time and passed.

BUSINESS OF THE HOUSE

Mr. R. J. McCleave (Halifax): Mr. Speaker, pursuant to the agreement that was reached some time ago when the other bills were to be debated, if we could not reach agreement—and I refuse to negotiate the divorce bills further—I hereby give notice of a motion that when the house resumes the bills be placed in their proper order and listed separately on the order paper.

BUSINESS OF THE HOUSE

MOTION FOR ADJOURNMENT

Right Hon. J. G. Diefenbaker (Prime Minister): Mr. Speaker, on this, the 157th day of the longest session, up to this moment, I move, seconded by Mr. Churchill:

> That when this house adjourns today it stand adjourned until September 7, 1961, at 2.30 o'clock in the afternoon, provided always that if it appears to be satisfactory to Mr. Speaker, after consultation with Her Majesty's government, that the public interest requires that the house should meet at an earlier time during the adjournment, Mr. Speaker may give notice that he is so satisfied, and thereupon the house shall meet at the time stated in such notice, and shall transact its business as if it had been duly adjourned to that time.

Motion agreed to.

Royal Assent

SITTING SUSPENDED

Hon. Gordon Churchill (Minister of Veterans Affairs): Mr. Speaker, while awaiting word from the Senate with regard to the passage of the last bill, may we rise to resume our sitting at the call of the Chair?

Mr. Speaker: Is it agreed that we suspend this sitting to meet again at the call of the Chair to be signified by the ringing of the bell?

Some hon. Members: Agreed.

SITTING RESUMED

The house resumed at 10.15 p.m.

THE ROYAL ASSENT

Mr. Speaker: I have the honour to inform the house that I have received the following communication:

Government House
Ottawa, July 13, 1961

Sir:

I have the honour to inform you that the Honourable Charles Holland Locke, acting as Deputy of His Excellency the Governor General, will proceed to the Senate chamber at 10.15 p.m. for the purpose of giving royal assent to certain bills.

I have the honour to be,
sir,
Your obedient servant,

E. Joly De Lotbiniere
Assistant Secretary to the
Governor General

A message was delivered by Major C. R. Lamoureux, Gentleman Usher of the Black Rod, as follows:

Mr. Speaker, the Honourable the Deputy Governor General desires the immediate attendance of this honourable house in the chamber of the honourable the Senate.

Accordingly, Mr. Speaker with the house went up to the Senate chamber.

And being returned:

Mr. Speaker informed the house that the Deputy Governor General had been pleased to give, in Her Majesty's name, the royal assent to the following bills:

An act to amend the Combines Investigation Act and the Criminal Code.

An act to incorporate Ukrainian Evangelical Baptist Convention of Canada.

An act respecting The Canadian Council of The Girl Guides Association.

An act to incorporate The Acadia Life Insurance Company.

An act respecting The Canada Permanent Trust Company.

An act respecting the Congregation of the Sisters of the Holy Family of Bordeaux in Canada.

An act respecting Guaranty Trust Company of Canada.

An act to incorporate General Mortgage Service Corporation of Canada.

An act respecting Penitentiaries.

An act to amend the Financial Administration Act.

An act to amend the Criminal Code.

An act to amend the National Energy Board Act.

An act to amend the Trust Companies Act.

An act to amend the Loan Companies Act.

An act respecting The Canadian Legion.

An act to amend the Criminal Code (capital murder).

An act to incorporate Aurora Pipe Line Company.

An act to amend the Railway Act.

An act to amend the Excise Act.

An act to amend the Customs Tariff.

An act to amend the Excise Tax Act.

An act to amend the Industrial Development Bank Act.

An act to amend the Income Tax Act.

An act to authorize the provision of monies to meet certain capital expenditures of the Canadian National Railways System for the period from the 1st day of January, 1961, to the 30th day of June, 1962, and to authorize the guarantee by Her Majesty of certain securities to be issued by the Canadian National Railway Company.

An act for the relief of Edel Haimes.

An act for the relief of William Paschal Hayes.

An act for the relief of Mathilde Marcelle Mathieu.

An act for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1962.

It being forty-two minutes after 10 o'clock the house adjourned, without question put, pursuant to special order, until Thursday, September 7, 1961.

ANSWERS TO QUESTIONS

The following answers, deposited with the Clerk of the house, are printed in the official report of debates pursuant to standing order 39:

NORTHERN AFFAIRS—AVAILABILITY OF WORK PLANS IN VANCOUVER

Question No. 261—**Mr. Taylor:**

1. Have complaints been made that government departments have lodged plans in Edmonton and Ottawa, but not in Vancouver, when calling for tenders on work in the area of the Alaska highway, Yukon Territory, and Mackenzie river delta?

2. Would the minister consider lodging construction plans in Vancouver when filing plans elsewhere?

Answer by: **Hon. W. G. Dinsdale (Minister of Northern Affairs and National Resources):**

1. The British Columbia branch of the Canadian plumbing and mechanical contractors association wrote to the Department of Northern Affairs and National Resources about this matter on June 9. A similar letter dated June 14 was addressed to the Prime Minister by the British Columbia and Yukon chamber of mines.

2. In answering these letters, it was explained that the Department of Northern Affairs and National Resources has very few tender calls of any significant size in the areas concerned and those that there are relate mainly to the purchase of prefabricated buildings. It was pointed out, however, that the department had followed the practice for some time—and would continue to do so—of lodging plans and specifications with the Vancouver district office of the water resources branch.

In addition to departmental work, there are also projects carried out on our behalf by the Yukon territorial government. The commissioner of the Yukon Territory has been asked to ensure that when he lodges plans and specifications for tender calls in Edmonton, he also lodges them in Vancouver.

MOVEMENT OF CEREALS, ST. LAWRENCE RIVER HARBOURS

Question No. 270—**Mr. Bourget:**

1. Which harbours on the St. Lawrence river are used almost exclusively for the movement of cereals to foreign markets?

2. What has been the quantity, in bushels, of the cereals exported from Quebec harbour during the following years: 1956, 1957, 1958, 1959, and 1960?

3. What quantities of cereals have been exported during the same years from the following harbours: Montreal, Sorel, Three Rivers, and Baie Comeau?

4. On what basis has the government established its policy of maintaining the ratio of cereal shipments from Quebec harbour at 9 per cent or 10 per cent of the quantity shipped through all other harbours on the St. Lawrence river?

5. What has been the quantity of cereals, in bushels, delivered for local consumption from cereal silos situated in the following harbours: Montreal, Sorel, Three Rivers, Quebec, and Baie Comeau, for the years 1956, 1957, 1958, 1959, and 1960?

6. What is the storage capacity of the cereals silos situated in the following harbours: Montreal, Sorel, Three Rivers, Quebec, and Baie Comeau?

Answer by: **Hon. Alvin Hamilton (Minister of Agriculture):**

1. The only port on the St. Lawrence used almost exclusively for the movement of cereals to foreign markets is the new bay port of Baie Comeau. Additionally, the export movement at Sorel and Three Rivers accounts for the bulk of the grain handlings at these ports. At the remaining ports domestic shipments in a normal year will represent a sizeable proportion of total handlings.

4. There is no set percentage of grain allocated for export from each port. Generally, export shipments depend on the grain and grade of grain available in the elevator for export after allowing for domestic needs, whether berths are available at the time of presentation of ocean tonnage and the wishes of the buyer as to the port of his choice.

Answers to Questions 2, 3, 5 and 6 are contained on the attached table.

	Domestic shipments	Export shipments	Total
	(millions of bushels)		
Montreal			
Licensed capacity: 17.5			
1959/60	27.3	74.5	101.8
1958/59	26.6	88.7	115.3
1957/58	21.1	90.1	111.2
1956/57	21.6	85.5	107.1
1955/56	21.0	105.5	126.5
Sorel			
Licensed capacity: 3.0			
1959/60	1.0	17.9	18.9
1958/59	2.6	21.2	23.8
1957/58	4.4	17.4	21.8
1956/57	3.4	13.1	16.5
1955/56	2.2	15.6	17.8
Three Rivers			
Licensed capacity: 6.8			
1959/60	1.5	11.9	13.4
1958/59	1.4	13.9	15.3
1957/58	.8	14.1	14.9
1956/57	1.1	11.6	12.7
1955/56	.7	14.0	14.7

Questions

	Domestic shipments	Export shipments	Total
	(millions of bushels)		
Quebec			
Licensed capacity: 6.0			
1959/60	15.4	10.0	25.4
1958/59	14.1	11.9	26.0
1957/58	10.6	11.6	22.2
1956/57	10.1	11.0	21.1
1955/56	9.8	15.7	25.5
Baie Comeau			
Licensed capacity: 11.9			
1959/60	Nil	1.1	1.1
1958/59	"	Nil	Nil
1957/58	"	"	"
1956/57	"	"	"
1955/56	"	"	"

FARM CREDIT CORPORATION OFFICE MOVE, B.C.

Question No. 280—**Mr. McLennan:**

1. What was the reason for moving the farm credit corporation office from New Westminster, B.C., to Kelowna, B.C.?
2. Where is Kelowna in relation (a) to the centre of the province (b) to the largest agriculture production area?
3. How many employees found it necessary to resign their positions on account of the office being moved?
4. What percentage of the employees of the New Westminster office were displaced, or resigned, by the move?

Answer by: **Hon. Alvin Hamilton (Minister of Agriculture):**

1. The farm credit corporation office was moved from New Westminster, B.C. to Kelowna, B.C. to provide improved service to loan applicants and for economy of administration.

As shown in the following statement, sixty per cent of the loans and loan applications in British Columbia are in the interior of the province.

	Lower Fraser Valley, Vancouver Island, Pemberton and Coastal Area	Interior
Past: Loan accounts on books, March 1959	464	683
Current: New loans, 1959-60	63	93
Future: New applications, April 1960-Sept. 15, 1960	42	92

Nine of the corporations field offices in British Columbia are located in the interior of the province as compared to four in the Fraser Valley and Vancouver island. It is more advantageous and economical to supervise these from Kelowna than from New Westminster.

2. (a) Kelowna is approximately 350 miles southeast of Vanderhoof which is considered the geographical centre of British Columbia.

(b) Most of British Columbia's agricultural production comes from that portion of the province lying between Cranbrook in the east and New Westminster in the west and from the international border to just north of Kamloops. Kelowna is situated almost exactly in the centre of this area and is well served with road communications to each of the corporation's field offices within this general agricultural area and the more sparsely settled agricultural areas in the north and northwest of the province.

3. Two.

4. 33 per cent.

END OF VOLUME VII